**Clinton launches economic plan**

*Ovation for presidential address; corporate America reacts*

Pages 4-5

*Gambling on a wave of support; the economic agenda*

Page 13

**Anglo-French rivalry**

*Business culture lacks entente cordiale*

Page 10

**Tomorrow's Weekend FT**

*Extermination threat in uncharted Amazonia*



# FINANCIAL TIMES

Europe's Business Newspaper FRIDAY FEBRUARY 19 1993 D8523A



## Krupp Stahl to cut output of steel products

Krupp Stahl, one of the best known names in the German steel industry, is set to shut down its entire output of steel sections, with the loss of 4,000 jobs in the heart of the Ruhr industrial region. The announcement came as thousands of steelworkers demonstrated in a number of steel towns against imminent job losses throughout the industry. Page 14, Europe's other steel industry reels, Page 2

**Bosnia aid delivery ordered:**

General Philippe Morillon, the French head of the UN protection force for aid convoys in Bosnia, pictured talking to UN special envoy Cyrus Vance (right), ordered his troops to deliver emergency supplies to a besieged Moslem enclave in eastern Bosnia regardless of the suspension of relief operations by the United Nations High Commissioner for Refugees. Page 6

**HDTV standards:** Europe will have to fall in line with the US on a transmission standard for digital high-definition television, the EC industry commissioner, Martin Bangemann, said. He said there was no point in starting a new global battle over advanced television standards by trying to set an exclusive EC standard. Page 14

**Statoil profits fall 40%:** Statoil, the Norwegian state oil company, reported a 40 per cent slide in 1992 net profits to NKr2.5bn ($361.3m) from NKr4.1bn, caused by a big operating loss in petrochemicals operations, low oil prices and weak refinery margins. Page 15

**UK jobless pushs above 3m:** UK headline unemployment last month pushed above 3m for the first time in six years increasing the prospect of tax increases in next month's Budget. Page 14; Further details, Page 7

**Kingfisher merges with Darty:** Kingfisher, the UK retail group, completed its £1.1bn ($1.56bn) merger with Darty, France's biggest electricals retailer, to create one of the biggest non-food retailing groups in Europe. Page 15; Lex, Page 14

**RTZ moves into US coal business:** RTZ, the world's biggest mining company, is moving into the US coal business with a $470m agreed offer for Nerco, the troubled natural resources group. Coal operations at Nerco, which is 82 per cent owned by PacifiCorp, will be merged with RTZ's US Kennecott copper and gold mining subsidiary. Page 15, Lex, Page 14

**Security Council plan for Japan:** Japan may become a permanent member of the United Nations Security Council after a wide-ranging review of the council's structure, Boutros Boutros Ghali, UN secretary-general, said at the end of a four-day visit to Japan. Page 6

**EC-US procurement row:** A possible solution to the row between the US and the EC over telecommunications and other government procurement contracts was put forward, based on "comparable, effective and lasting access" to each other's markets, and equal treatment to exporters. Page 3

**Gehe in agreed takeover offer:** Gehe, a leading German drugs wholesaler, announced a FFr800 ($144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique. The merger would create the largest European pharmaceuticals distribution business, with sales of around DM14bn ($8.5bn) a year. Page 16

**Clinton proposed for Oxford degree:** England's Oxford University has proposed US president Bill Clinton for the Degree of Doctor of Civil Law by Diploma, a special degree reserved for royalty and heads of state.

**Kirin Brewery's sales rise:** Kirin Brewery, Japan's largest food and beverage company, reported a rise in 1992 sales thanks mainly to its premium beer, Ichiban Shibori, but posted a fall in non-consolidated profits. Pre-tax profits fell 4.3 per cent to Y82.7bn ($689m), despite a 3.8 per cent rise in sales to Y1,366.1bn. Page 18

**UK criticised over social charter:** President François Mitterrand, speaking on French television, criticised the UK for "lack of solidarity" in opting out of the social charter of the Maastricht treaty, saying this had contributed to Hoover's relocation of its factory from eastern France to Scotland.

**STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2,837.7 | (+23.7) |
| Yield | 4.25 | |
| FT-SE Eurotrack 100 | 1,132.95 | (+11.18) |
| FT-A All-Share | 1,385.59 | (+0.8%) |
| Nikkei | 16,982.14 | (−27.49) |
| New York lunchtime | | |
| Dow Jones Ind Ave | 3,309.48 | (−2.70) |
| S&P Composite | 433.15 | (−0.15) |

**US LUNCHTIME RATES**

| | |
|---|---|
| Federal Funds: | 3% |
| 3-mo Treas Bills: Yld | 2.941% |
| Long Bond | 101 1/16 |
| Yield | 7.034% |

**LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 6 1/16% | (Same) |
| Liffe long gilt future | Mar 102 13/32 | (Mar 103 1/32) |

**NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day Apr | $17.69 | (+0.17) |

**Gold**

| | | |
|---|---|---|
| New York Comex Apr | $331.5 | (331.0) |
| London | $330.05 | (330.15) |

**STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.446 | |
| London: | | |
| $ | 1.4465 | (1.444) |
| DM | 2.36 | (2.35) |
| FFr | 7.9975 | (7.9675) |
| SFr | 2.1825 | (2.1725) |
| Y | 172.75 | (172.5) |
| £ Index | 76.7 | (76.5) |

**DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.6325 | |
| FFr | 5.5265 | |
| SFr | 1.5065 | |
| Y | 119.375 | |
| London: | | |
| DM | 1.6335 | (1.628) |
| FFr | 5.5325 | (5.5175) |
| SFr | 1.509 | (1.505) |
| Y | 119.55 | (119.4) |
| $ Index | 66.5 | (66.4) |

Tokyo close Y 119.97

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr300 | Lux | LFr60 | Qatar | QR12.00 |
| Bahrain | Din1.250 | Hungary | Ft162 | Malta | Lm0.60 | S Arabia | SR11 |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 |
| Bulgaria | Lw25.00 | India | Rs40 | Neth | Fl 3.75 | Slovak Rp | Kcs45 |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira20 | Spain | Pta200 |
| Czech Rp | Kcs45 | Israel | Shk5.90 | Norway | NKr16.00 | Sweden | SKr15 |
| Denmark | DKr15 | Italy | L2700 | Oman | OR1.50 | Switz | SFr3.20 |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Syria | S£50.00 |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Thailand | Bht50 |
| France | FFr8.50 | Kuwait | Fils 600 | Poland | Zl 22,000 | Tunisia | Din1.250 |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es215 | Turkey | L7000 |
| | | | | | | UAE | Dh11.00 |

Polls show voters welcome proposals ■ Opponents question tax rises

# Clinton wins public approval as Republicans attack plans

By George Graham in Washington

PRESIDENT Bill Clinton and his cabinet yesterday embarked on the task of turning his four-year, $500bn package of tax increases and spending cuts into reality, lifted by favourable public reaction but facing hostility from Republicans.

Overnight opinion polls, although narrowly based, suggested that three quarters of those who heard the speech approved of its proposals, 60 per cent of them enthusiastically.

But Republicans attacked the package for raising taxes too much and cutting spending too little. They also questioned whether the efforts to reduce the budget deficit, which are concentrated in the later years of the four-year plan, would ever see the light of day.

"You hang your hat on what's going to happen three years from now. I'm sorry but people don't believe that in America and on Wall Street," said Mr John Kasich, the senior Republican on the House of Representatives budget committee.

This could spell difficulty for President Clinton's efforts to push his economic plan through Congress in an important budget bill, which congressional leaders hope to complete before the August recess.

Mr Dan Rostenkowski, however, who as chairman of the House of Representatives Ways and Means Committee is one of those with the most control over the package's legislative fate, said that voters might be well ahead of their representatives in recognising the need for sacrifice to deal with the federal budget deficit. "I honestly believe that the people, generally, are more willing than the Congress to move in this area," he said.



**THE CLINTON PLAN**

Pages 4-5

■ Speech to have them rocking in the aisles

■ Benefits seen for revival of global economy

Page 15

■ Seismic shock to the economic landscape

■ Currencies ............Page 38

■ World stocks .........Page 42



Mr Clinton is hoping to capitalise on this sentiment with a series of public meetings across the country, appealing directly to voters to back his proposals.

While Republicans are lining up en bloc against the bill, some Democrats, anxious not to be associated too closely with higher taxes before the 1994 elections, could also desert their president.

Senator David Boren, a conservative Democrat from Oklahoma, yesterday urged Mr Clinton not to press the short-term stimulus component of his plan before he has won agreement on his broader deficit reduction proposals. "That's getting the cart before the horse," he said.

If US voters, however, react more favourably to the package, members of congress might be emboldened. After extending an olive branch to the Republicans in his speech to Congress on Wednesday night, Mr Clinton yesterday sharpened his criticism of their economic policies in a book entitled: "A vision of change for America."

"The election of 1992 was a mandate for change – and no wonder ... such is the sorry legacy of 12 years of short-sightedness, mismanagement and protection of the privileged," he wrote.

In Congress, Mr Leon Panetta, the budget director, took the battle to his opponents in a sharp exchange with Mr Kasich.

"The problem is that we have had gridlock in the Congress because Republicans have always taken the position that you can't increase taxes on the wealthy and Democrats have always said you can't cut any programmes, and that produces gridlock," Mr Panetta said. "And you are now the perfect example through your arguments of the kind of gridlock that I think people are tired of."

While the Clinton package is projected by the White House to reduce the budget deficit from $332bn this year to $206bn in 1997, administration officials yesterday warned that the deficit would start to climb again from 1998 unless health care costs, which have been spiralling at twice the rate of inflation for years, are brought under control.

President Clinton addresses a joint session of Congress, while Vice-President Al Gore (left) and House Speaker Thomas Foley listen

# Bonds rise but shares fall

By Patrick Harverson in New York

THE US markets gave President Clinton's package a mixed reaction yesterday. Government bonds rose sharply but share prices fell.

In early afternoon trading the benchmark 30-year government bond, the key indicator of bond market performance, was up almost three-quarters of a point at 101 1/16.

Investors in fixed-income government bonds believe that the tax-raising package will slow economic growth and therefore stifle inflation, which would help maintain the value of their investment.

However, the prospect of slower economic growth undermined shares on Wall Street.

Mr Will Brown, chief economist at JP Morgan in New York, said: "The package will act as a modest restraint on demand, but not of a magnitude likely to derail a recovery." By mid-session the Dow Jones Industrial Average was down 14.59 at 3,297.60.

Earlier in the day the Dow had jumped 35 points in the first few minutes of trading, a move that analysts said was primarily a technical reaction from investors who felt that stocks had been oversold during Tuesday's 83-point plunge in the Dow. The buying quickly petered out, however, on concern about the economy and disappointment that the president's deficit reduction package was not tilted more towards spending cuts.

The hardest hit sector on Wall Street was airline stocks which fell sharply on news of the energy tax and worries about the effect of higher income taxes on demand for air travel. UAL fell 3¼ to 116, Delta fell 1⅞ to 46¾ and the parent company of American Airlines dropped $2 to 57¾.

The rise in the price of the 30-year bond pushed the yield, or real interest rate, down to 7.034 per cent, its lowest level in more than six years.

This makes it likely that US mortgage and corporate borrowing rates – many of which are pegged to the 30-year bond yield – will come down over the next few days.

The bond market was also buoyed by the news that the Treasury, in an attempt to cut the cost of financing the federal deficit, is considering reducing the amount of longer-dated government securities it issues.

The foreign exchange markets also responded positively to the president's speech, bidding up the dollar almost 3 pfennigs to DM1.6515 in late overseas trading on Wednesday night.

# Yeltsin seeks nation's backing for reform

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, yesterday appealed to the nation to support his version of a constitution if a referendum on who rules the country becomes necessary.

The president outlined his version of a constitutional agreement with the Russian parliament on dividing the balance of power. His proposals seem certain to be rejected by parliament because of uncompromising demands for the government to take sole charge of economic reform and to control the central bank.

His proposals amount to a neutering of parliament, with the added insult of taking from it the decision on a new constitution and giving it to a constituent assembly.

Mr Yeltsin said that there were forces, "inherited from the old system and ... responsible for nothing" who were benefiting from the crisis" – a reference to parliament, which was elected during the Soviet period.

He endorsed a referendum "in which the people can have their say" as the only way out of a power crisis if the current negotiations with the team selected by Mr Ruslan Khasbulatov, the parliamentary speaker, fail. Mr Yeltsin's constant stress on the possibility of failure, coupled with the maximalist nature of his proposals, suggest that he gives the negotiating process little chance.

He reminded his audience that he had tried many times to get agreement with the Supreme Soviet on a respite from the constant power struggle. He said that only when the threat of a referendum was held above their heads did they agree to negotiate.

The Russian president said that he supported early elections once an election law had been adopted – with elections for parliament in the spring of next year, and for president in the spring of 1995. "To hold the two elections at the same time would risk destabilisation," he said.

Mr Yeltsin knows, however, that he is launching an appeal for


Continued on Page 14

Yeltsin steps up battle, Page 2




# Swedish government stands by lossmaking SE Banken

By Christopher Brown-Humes in Stockholm

THE SWEDISH government yesterday promised state support to rescue Skandinaviska Enskilda Bank, the country's leading commercial bank, after it announced a SKr5.3bn ($705m) preliminary operating loss for 1992 and said it was facing two more years of heavy credit losses.

The bank warned that the value of its shares "must be regarded as uncertain" in the light of its prospects and the current depressed state of the Swedish economy. Its shares fell SKr3 to SKr10.50.

The banks warned of "substantial" losses on loans for the next two years. Doubtful loans tripled to SKr28.8bn, or 8 per cent of total outstanding loans, from SKr9.6bn. The bank will not pay a dividend.

Soaring lending losses and the erosion of its capital base have forced SE Banken to seek state support. Its 1992 year-end 8.4 per cent capital adequacy ratio was almost certain to fall below the 8 per cent legal minimum during 1993, it said.

The government pledged assistance "if capital cannot be attracted to the bank in any other way".

Mr Bo Lundgren, taxation minister, said: "The commitments of SE Banken will be fulfilled on a timely basis. Thus the activities of the bank can continue in the same way as today in relation to households, companies and other creditors."

SE Banken first revealed last December that it had approached the state about possible financial support and last month it announced a sweeping overhaul of its operations.

It is widely believed that the state will end up carrying a heavy portion of SE Banken's bad debts while efforts are made to attract private capital. In the last resort, the state could take over the bank as it did with Nordbanken and Gota Bank.

Mr Björn Svedberg, SE Banken chief executive, said: "I sincerely hope that it will be possible to get government support in combination with new private capital in forms which permit SE Banken to remain a privately owned bank."

The bank's 1992 result is a sharp turnround from the previous year's SKr2.3bn profit and follows a jump in lending losses to SKr10.9bn from SKr4.8bn.

Mr Svedberg said many of the problems stemmed from the collapse in the real estate market, with 15 customers accounting for almost half of total 1992 lending losses, and stressed that the bank's core businesses were sound and profitable.


Details, Page 16

Lex, Page 14


CONTENTS

# Rocard alliance plan rallies socialists

By Alice Rawsthorn in Paris

SENIOR French socialists yesterday rallied to the call by Mr Michel Rocard, former prime minister and a potential presidential candidate, for a new centre-left alliance of socialists, ecologists and communists after next month's parliamentary elections.

Mr Rocard, who had previously adopted a low profile in the electoral campaign, called at a rally in Tours on Wednesday night for the replacement of the old socialist party by "an open, extrovert movement...gathering all those who share the values of solidarity and the goal of progress."

A number of prominent socialists, steeling themselves for a humiliating defeat by France's conservative coalition in the elections, backed Mr Rocard's call. Mr Pierre Bérégovoy, the prime minister, suggested the momentum of the new movement could be used to help the left in the current campaign.

"In all democracies, there is a conservative camp, the right, and a progressive camp that represents the left," the prime minister said.

Mr Brice Lalonde, environment minister under Mr Rocard and now head of the Génération Ecologie environmental movement that has taken support away from the socialists, praised the speech as the precursor to the formation of a new democratic movement in France.

The ecologists have drawn support from disillusioned socialists recently and opinion polls put their support almost level with the socialists.

Libération, the centre-left newspaper, published an editorial praising Mr Rocard for his "calculated risk" and for recognising the changes in the French political spectrum.

The response of the traditional left was more muted. Mr Laurent Fabius, first secretary of the Socialist party whose presidential prospects have been clouded by his involvement in the Aids-contaminated blood scandal, said the party's grass roots membership should decide the future of French socialism.

Mr Antoine Waechter, head of the Greens, the old-style ecologists, said his party had "no intention of participating in the renewal of the Socialist party or of the left."

The French socialists, flagging in the opinion polls and battered by scandals, have fallen prey to the same sort of identity crisis that beset the British Labour party in the 1980s and is now preying upon the Italian left.

Mr Rocard's call follows months of discussion about the French left's prospects after the elections. Some prominent centre-left figures, notably Mr Bernard Kouchner, the popular but non-partisan minister of health and humanitarian affairs, have recently flagged the possibility of socialist sympathisers allying with the ecologists after the elections.

Even President François Mitterrand last week stressed the "common ground" between the socialists and ecologists in an interview in Le Monde newspaper.

# Output plunges amid call for national postal strike

By Alice Rawsthorn

THE continuing deterioration in the French economy was highlighted yesterday by news of an unexpectedly steep 1 per cent fall in industrial output in December compared with November.

The drop in December pushed the production index to its lowest level since October 1988, according to INSEE, the state statistics institute.

The news came as the government yesterday stepped up efforts to try to end the strikes and stoppages by postal workers which are creating chaos in France's mail service.

Mr Pierre Bérégovoy, prime minister, said he had told Mr Emile Zuccarelli, the post office minister, to "do his best" to ensure that talks got under way "as quickly as possible."

However, a few hours after the prime minister's remarks, union negotiators broke off talks with the Paris post office and called for a national postal stoppage for today.

The strikes, against plans to lay off 3,000 workers, come at a sensitive time for France's socialist government which is braced for a crushing defeat by the conservative opposition in next month's parliamentary elections.

The socialists, battered by gloomy economic news, are anxious to prevent further damage to the economy. A prolonged mail strike would seriously disrupt French business, which accounts for 85 per cent of the country's post and is already suffering in the economic slowdown.

Industrial output in December was 3.7 per cent lower than in December 1991. Worst affected was manufacturing, with output 2.8 per cent down on November, mainly due to a steep fall in car production.

The INSEE figures, which come little more than a month before the first round of voting in France's parliamentary elections, have fuelled fears that the combination of high interest rates, a strong franc and the gloomy economic environment in Europe is intensifying pressure on French industry.

Earlier this week the Bank of France's monthly business survey suggested that the trading climate had been even tougher in the opening weeks of this year. The consensus in the survey was that output had fallen even further in January than in December and that stocks had risen sharply across most areas of French business.

Mr Jean-René Fourtou, chairman of Rhône-Poulenc, France's flagship chemicals company, has warned that the European economy was unlikely to recover until 1994.

# Europe's other steel industry reels

## Output has halved as markets collapse to east and west, writes **Anthony Robinson**

THROUGHOUT central and eastern Europe a bloated steel industry is in the throes of a painful contraction proportionately far greater than that facing the industry in western Europe.

Steel output in the region has virtually halved, and employment fallen by a third, over the last three years, as a result of the collapse of military spending and the impact of macro-economic "shock therapy".

Furthermore, hopes of increased sales to the west, to compensate for the loss of the Soviet market, have been dashed by US and EC anti-dumping measures. East European imports last year accounted for less than 3 per cent of the EC market, despite rapid growth in the export of flat steel, pipes and other products.

The position is likely to be exacerbated further by the latest EC proposals to ask eastern European countries to impose minimum prices on steel exports – or face anti-dumping duties.

Deprived both of former artificially low Soviet energy and raw material supplies and the demand for armaments, the steel industries of Poland, Hungary, the Czech and Slovak republics, Romania and Bulgaria are all involved in downsizing and plant closures on a large scale.

Poland's steel-consuming shipbuilding industry now has full order books until 1995 and steady economic growth is expected to resume this year, after three traumatic years of decline, but it still plans to cut steel capacity from the present 16m tonnes to 11m tonnes of raw steel before the turn of the century. By then, employment will be down to 43,000 from the present 110,000, itself 50,000 down on mid-1980 levels.

The Ostrowiec and Szczecin mills are to be closed. Parts of the Batory, Bobrek, Buczek and Bankowa plants in Silesia will also be shut down. Meanwhile, two of the largest integrated steel plants, at Katowice and Krakow, are to be merged into one smaller company with the installation of modern continuous casting lines.

At present, the bulk of Polish steel comes from outdated and polluted open-cast equipment, with only 7 per cent produced by continuous casting. The old plant is to be replaced by electric arc furnaces and scrap-consuming mini-mills under a $4.5bn modernisation plan.

The plan predicts that by the end of the century Polish steel exports, at 2m tonnes, will be below the 2.5m tonnes of 1990, while imports will have risen from 300,000 to 1.1m tonnes. Last year, Poland earned around $460m from its steel exports, mainly to Germany and other EC markets. But the main development was the sale of Huta Warszawa to Lucchini of Italy, which is investing $200m in a modern strip mill to produce steel sheet for the new Fiat car plants in Poland.

With plenty of indigenous coal supplies, but little iron ore, the east and central european steel industries are all heavily dependent on ore supplies from Russia and the Ukraine. Both Huta Katowice in Poland and the East Slovakian steel plant at Kosice in Slovakia are directly linked by rail to Krivoi Rog in south eastern Ukraine. But future supplies to the plants hinge on completion of a new pelletisation plant whose construction has been abandoned by Germany and others.

Until now the Czech and Slovak steel industries have resisted contraction better than their competitors elsewhere in central Europe, with output declining from 15m tonnes in 1989 to around 11m tonnes in 1992. The main steel plants in Bohemia and Moravia are particularly well-placed to supply cheap steel for the construction boom taking place in eastern Germany.

In comparison, output by the Romanian industry, which is the third largest in eastern Europe, has fallen by 60 per cent from 14.5m in 1989 to an estimated 5.3m in 1992. Romania has become the main partner in the Krivoi Rog project because of its dependence on Ukrainian supplies. Meanwhile, the industry is battling to keep up production and find markets for its steel in the Middle East rather than the EC.

It is a similar story of sharply falling output among the smaller producers such as Bulgaria and Hungary.

Plagued with energy and raw material shortages the Bulgarian industry has seen output halve to under 1.5m tonnes in 1992 with mills reduced to seeking hire-rolling contracts to provide minimum employment.

In Hungary, capacity and output have both fallen by over 50 per cent over the last three years as part of a broader strategic shift out of energy and raw material intensive sectors into lighter industry and processing. Output has fallen from 3.7m tonnes in the mid-1980's to 1.6m tonnes last year when employment was down to 23,000 from 61,000.

Only two steel-making centres survive, at Dunaujvaros on the Danube and Dimag at Diosgyor in eastern Hungary. A third steel centre at Ozd has closed down but might re-open as a much smaller scrap-based mini mill of around 400,000 tonne capacity.

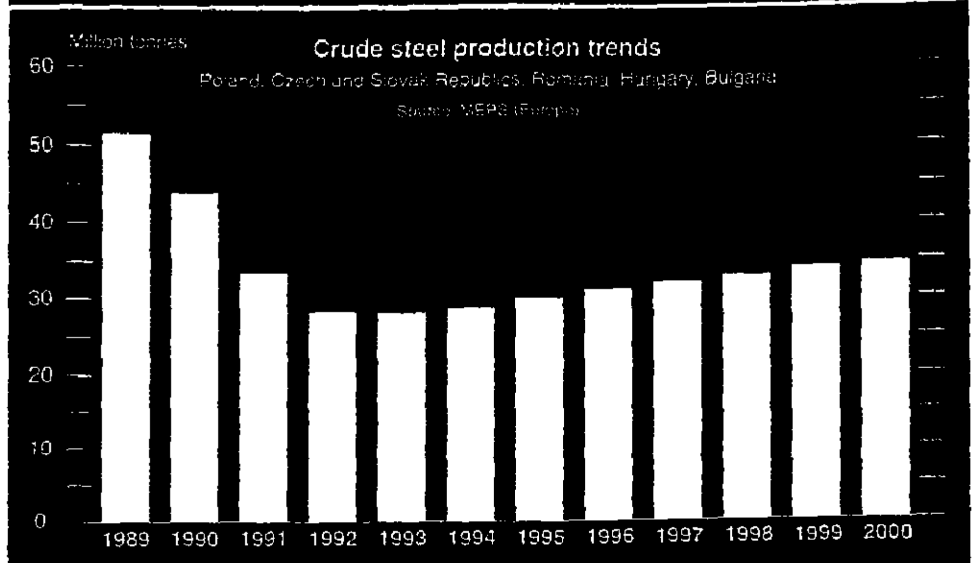
Heavy investment by General Motors and Suzuki have created new demand for high quality sheet steel for the new car industry. But the future of heavy steel making plants such as Dimag is problematical. Heavy investment is required to reduce capacity from the current 1m tonnes to around 600,000 tonnes using modern convertor technology.

However, finding the resources for this type of modernisation is going to be hard. For while the EC's rescue package may have offered new hope to western European steelmakers, it has served to push their eastern counterparts even further out into the cold.

The type of integration and cross-investment beginning to emerge among eastern and western producers in other industrial sectors is not going to come easily to steel.

**Additional reporting by Christopher Bobinski in Warsaw, Nicholas Denton in Budapest and Patrick Blum in Prague.**

### Eastern European steel




Consumption of steel products

| Million tonnes | 1990 | 1995 | 2000 |
|---|---|---|---|
| Former Soviet Union and East Europe | 146.5 | 100 | 100 |
| EC | 115.5 | 115 | 117 |
| North America | 96.5 | 99 | 99 |
| Japan | 92.6 | 88 | 85 |
| Developing Asia | 67.5 | 88 | 105 |
| Latin America | 22.3 | 28 | 35 |

Source: International Iron and Steel Institute

# Economic woes dog Hungary's new finance minister

By Nicholas Denton in Budapest

THERE may never be an auspicious moment to become Hungarian finance minister but Mr Ivan Szabo is taking over at a particularly critical time.

His appointment followed the surprise resignation of Mr Mihaly Kupa, a maverick technocrat who often clashed with other ministers.

Mr Szabo, a 59-year-old former engineer and industry minister, inherits an economy bumping along the bottom after a long and deep recession. The collapse of domestic demand and trade with east European neighbours has caused gross domestic product to fall 18 per cent over the three years to 1992.

The influx of $4.8bn in foreign investment since reforms began and the double-digit growth in exports to the European Community have not been enough to power the economy. Faint signs of a recovery in industrial output in the autumn, which had revived hope, have lost momentum.

On the day Mr Szabo was named, unemployment figures climbed to a record 13.3 per cent. Also came the embarrassing announcement that inflation rose to an annual 25.9 per cent after a batch of Vat and price rises in January.

Political pressure on the new finance minister will mount as elections in 1994 approach. The Hungarian Democratic Forum, the governing conservative party of prime minister Jozsef Antall, languishes around the 10 per cent mark in the opinion polls, blamed for falling living standards.

Economic woes, and the public perception that former communists are making fortunes as entrepreneurs, have also boosted the populist far-right.

The prime minister hopes that the moderate Mr Szabo will boost his wing of the party and position the Forum to take credit for the economic recovery forecast for later this year.

There is however another awkward legacy facing the new finance minister. The International Monetary Fund is maintaining the freeze on a SDR1.14bn ($1.56bn) credit package until Hungary agrees to cut spending and reduce a budget deficit of Ft197bn ($2.37bn) in 1992, nearly triple the target level.

The finance ministry changed hands the week after an IMF delegation left Budapest unconvinced of the government's commitment to curtail benefits such as family allowances, free health care and education.

Mr Szabo moved quickly on his nomination to reassure observers that fiscal policy would not fundamentally change under his stewardship – indeed that the government had to persist with unpopular measures – and that Hungary would continue to seek agreement with the IMF.

# Job agencies attack curbs in EC

By David Goodhart, Labour Editor

RESTRICTIONS on temporary work agencies are hindering job creation in the European Community, according to the International Confederation of Temporary Work Businesses.

The employers' group has filed a formal complaint to the European Commission about restrictions in Italy, Spain, and Germany and it has written to Mr Jacques Delors this week asking for a "quick response."

Mr Wim Ruggenberg, federation president, told Mr Delors that in view of concern about EC unemployment he should immediately lift all restrictions, saying "our industry provides a mechanism for keeping in touch with the job market and in work, even if temporary." He quoted a French survey which said 25 per cent of temporary workers get permanent jobs as a result of work found through the agencies.

In the Netherlands and the UK temporary work agencies, such as Manpower, are encouraged. In Germany they are legal but severely restricted, but are illegal in Greece, Italy and Spain.

The complaint has, so far, made little progress in the Commission despite support from the single market and competition directorates. The social affairs directorate is more hostile although its view may change if the International Labour Organisation revises its long-standing reservations on temporary work agencies.

The three countries being targeted have all promised some reform but it is unlikely to be enough to satisfy the employers' federation. Greece has not been targeted because the potential market is too small.

# German engineering employers revoke eastern pay deal

By Judy Dempsey in Berlin

GERMANY'S engineering employers are abandoning an agreement to bring east German wages up to the level of their west German counterparts by 1994.

The decision is likely to provoke a major confrontation between IG Metall, Germany's giant engineering union, and Gesamtmetall, the employers' federation.

It could lead to a wave of strikes among IG Metall's 300,000 workers in eastern Germany. More than 10,000 workers in Chemnitz, Saxony demonstrated on Wednesday against any attempts to revoke the contract.

Mr Klaus Zwickel, the deputy chairman of IG Metall, yesterday described the employers' decision as a "spectacular breach of the law". It would not be accepted without a struggle.

Mr Hans Peter Münter, head of Saxony's Metal and Electrical Industry Association, said the contract was no longer valid because the economic circumstances in both west and east Germany had deteriorated considerably since it was signed in March 1991.

Mr Münter repeated yesterday that the employers were prepared to award the engineering and electrical workers in the five east German states a 9 per cent rise for 12 months from April 1.

IG Metall has insisted, on the basis of the 1991 contract, on a 26 per cent pay increase for its members starting from April 1.

East German rates in the sector are currently 71 per cent of western rates. A 26 per cent pay rise would take this to 82 per cent of western rates. Productivity levels in the east are about 70 per cent below west German levels, and unit labour costs are 140 per cent higher.

Union officials in Berlin said arbitration talks would begin today, despite the breakdown of talks earlier this week in Saxony and Thuringia.

But Mr Michael Böhm, IG Metall's spokesman in Berlin, said Gesamtmetall would try to use yesterday's announcement to break off talks in the capital.

"It's not only the breach of contract, and the 26 per cent pay rise we are fighting for," he explained. "It is for the whole future of collective wage bargaining, which has existed since the war. That is the real issue for us," he said.

Union officials are now considering what action to take. They could go court and try to prove that Gesamtmetall had broken the contract, or ask workers to go the courts if they do not receive the 26 per cent increase, or call a strike.

Failure to reach a compromise could mean the breakdown of central wage bargaining between employers and unions as employers seek local deals.

# Italian minister urged to resign

By Haig Simonian in Milan

ITALY'S health minister, Mr Franco De Lorenzo, yesterday faced calls to resign after deputies voted to remove his immunity from prosecution.

Mr De Lorenzo, a Liberal from Naples, is under investigation following allegations that he, along with other Naples politicians, exchanged political favours, such as guaranteed jobs, for votes.

The decision on Mr De Lorenzo's immunity still has to be ratified by the full Chamber of Deputies, Italy's lower house.

On Wednesday , the lower house committee also voted in favour of lifting the immunity from prosecution of the two other MPs involved in the case, Mr Giulio Di Donato, a Socialist, and Mr Alfredo Vito, a Christian Democrat (DC).

The latest twists in Italy's corruption scandal could complicate moves by leaders of the four-party coalition to bring other parties into government. Mr Giuliano Amato, the prime minister, yesterday declined to comment on Mr De Lorenzo or a possible cabinet reshuffle, before delivering a statement to the Senate, the upper house, today.

Early next month the committee on immunity is expected to hear testimony from Mr Bettino Craxi, the former Socialist party leader, before opening discussions on whether to lift Mr Craxi's immunity on two of the six requests by Milan magistrates.

Meanwhile in Milan, magistrates yesterday began questioning Mrs Enza Tomaselli, Mr Craxi's long-standing private secretary in his Milan office. Mrs Tomaselli, who was arrested on Wednesday, is reported to have denied allegations of corruption and collusion in illegal party funding.

According to testimony from other witnesses involved in the corruption scandal, leaked by the Milan magistrature, Mr Craxi's office was a focal point for the payment of illegal kickbacks to the party.

# Russia 'trying to paralyse Ukraine'

By Chrystia Freeland in Kiev and John Lloyd in Moscow

RUSSIA was trying to bring about "a full paralysis" of the Ukrainian economy, Mr Leonid Kuchma, Ukraine's prime minister, said yesterday.

Such action could present the west with a "distorted" view of the republic's economic position, he said.

The remarks by Mr Kuchma, who has consistently sought an economic and political rapprochement with Russia, indicate a sharp deterioration in relations between the two former Soviet republics.

"Unfortunately, there is already a conflict," Mr Kuchma said. "Worse still, this is a conflict in which there can be no victors."

The weapons in the struggle are oil and gas, for which Russia is demanding world prices or threatening to decrease supply, and the unresolved issue of the foreign debts and assets of the former Soviet Union.

But recent comments by Russian officials suggest that disagreements about these economic issues are underpinned by political and military disputes between Russia, which is seeking to retain some of the former Soviet Union's old sphere of influence, and Ukraine, which is adamantly charting a separate course.

In an effort to save the situation, Mr Kuchma said that he had telephoned his Russian counterpart, Mr Viktor Chernomyrdin, yesterday to arrange a meeting next Friday.

"I cannot understand the Russian position," Mr Kuchma said. "It is not motivated by economics. It can only be seen as some sort of pressure on Ukraine. But Russia must realise that to return to the former Soviet Union is neither technically nor politically possible."

Earlier this week Mr Viktor Shokhin, Russian deputy prime minister, said Ukraine could have subsidised energy only if it made concessions to Russia over the Black Sea Fleet, allowed Russian military bases to be established in Ukraine, and permitted Russia to export oil and gas through Ukrainian pipelines.

Mr Shokhin's statements came on top of Russia's unilateral increase in the prices it charges Ukraine for natural gas to world levels – a jump of 2,500 per cent – and the announcement by the Russian prime minister that Ukraine would receive only 15m tonnes of oil this year, 5m less than Russia promised in January and one third of Ukraine's energy requirement.

"They understand perfectly that to move to world prices in one day means a complete paralysis of the Ukrainian economy," said Mr Kuchma. He said Ukraine received no oil from Russia in January.

Nuclear missiles in Ukraine are being drawn into the struggle. Ukrainian and Russian sources say the missiles are not being properly maintained by the Russian factories which produced them. Western diplomats in Kiev say that in a worst case scenario the missiles would not be mistakenly launched but could explode, spreading nuclear material throughout the region.

"We have the impression that Russians are withholding technical assistance in an effort to discredit the Ukrainian armed forces," said Lieutenant General Oleksiy Kruzhka, who is in charge of the nuclear missiles in Ukraine.

A senior Russian official, quoted in the Moscow daily Izvestia, said the failure to maintain the missiles "has created the threat of a second Chernobyl".

# Bangemann gives priority to telecoms

By Andrew Hill in Brussels

MR Martin Bangemann, the EC industry commissioner, yesterday signalled that an active telecommunications policy would spearhead Commission attempts to boost industrial growth in the Community.

The commissioner said priority during the Commission's two-year term should be given to strengthening the competitiveness of EC industry. Outlining his work programme for 1993, Mr Bangemann said telecoms was one sector in which "we can move very quickly to create new demand immediately".

Mr Bangemann added responsibility for telecommunications to his industry portfolio in the Commission reshuffle last December. The change has given him control over Commission policy on information technology, high-definition television (HDTV) and telecoms liberalisation, as well as more than 40 per cent of the funds available to business through the EC's research and development programmes.

Mr Bangemann intends to concentrate on improving cross-border telecoms networks linking national administrations, and developing a compatible Community-wide integrated services digital network (ISDN), which should lead to clearer, faster, cheaper and more reliable telecommunications.

The Commission is also close to finishing consultations with industry and consumers on how to improve the efficiency and reduce the cost of ordinary telephone calls in the Community. Mr Bangemann said yesterday he was opposed to national telecoms monopolies if they hampered the introduction of modern technology, but favoured the maintenance of an efficient public service.

However, the commissioner said it would be imprudent to use special Commission powers to challenge those national monopolies.

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NEWS: WORLD TRADE

# Mood lifts in EC-US public procurement row

By David Dodwell, World Trade Editor, in Washington

A POSSIBLE solution to the dispute between the US and the European Community over telecommunications and other government procurement contracts was raised by negotiators yesterday based on "comparable, effective and lasting access" to each other's markets, and equal treatment to each other's exporters.

Negotiators agreed after two days of discussions in Washington that the EC could exempt US companies from rules which discriminate in favour of EC bidders for procurement contracts "if we have comparable access to the US market". They plan to meet again in Brussels on March 11.

The clash over public procurement flared last month after the new US administration threatened to bar European companies from bidding for federal contracts in the US unless European procurement regulations favouring local manufacturers were dismantled. It set March 22 as a deadline for EC action.

EC officials conceded in Washington after this week's discussions that there were "obstacles in the way" of US companies competing for EC procurement contracts, but insisted that the market was opening up, and "serious trade is being done".

But they also insisted that systemic differences made it difficult for US officials to recognise the obstacles that existed for foreign companies to compete for US procurement contracts. Among these are "Buy America" laws used in some federal contracts, and by 37 state governments in the US; special monopoly privileges under which companies such as AT&T operate; and the arbitrary use of design standards to keep foreign companies at bay.

"We are trying to find out whether two systems which are completely different in design – ours based on rules and regulation, and the US system based on private sector competition – can produce comparable results in terms of market access for foreign companies," said Mr Jorn Keck, who headed the EC negotiating team in Washington.

In response to US arguments that large US private sector telecommunications operators such as AT&T, MCI-Sprint, GTE or the "baby Bells", should not be subject to procurement rules because they are not government run, Mr Keck said: "We don't care whether a company is private or not. What really counts is not ownership, but government regulation, and whether a company has special or exclusive rights.

"When you look at AT&T, you see they are operating under special privileges, under monopoly conditions. We need to look at their procurement behaviour because it is not what you would expect in a free market."

Officials say they have agreed a text from which to continue negotiations on telecommunications contracts.

## Brittan appeals to Clinton administration not to complicate Uruguay Round

SIR LEON BRITTAN, the EC external trade commissioner, yesterday warned the US against cluttering the Uruguay Round of world trade talks with new issues and fresh conditions, writes Andrew Hill in Brussels. But the European Commission welcomed President Bill Clinton's call, in his State of the Union address on Wednesday night, for an expansion of world trade and a successful conclusion of the talks.

Speaking in Cheshire in Britain last night, Sir Leon said Mr Clinton had given "a clear lead" to the final stage of talks, when he announced last week he would ask Congress to extend the administration's "fast-track" negotiating authority.

Sir Leon met Mr Mickey Kantor, US trade representative, for the first time in Washington last week, and described him yesterday as "an open, agreeable, but tough negotiator".

He said any extension of the Clinton administration's negotiating mandate should be short and free of fresh conditions. "If new issues are now being suggested, they should not be the pretext for delaying or complicating the present Round," he said.

"The newly identified issues of today can readily be put on the agenda for discussion in the immediate aftermath of the present Round."

Sir Leon repeated that he was confident of a Gatt agreement, but warned that there was "a difficult end-game ahead", and said negotiators should expect "a period of turbulence" before any deal was struck. "But getting there will require persistence, resolution and determination."

The commissioner said the US should resist the temptation "to seek protectionist short cuts to economic recovery", and he said bilateral difficulties in trade between the US and the EC – for example, on steel and public procurement – should not be tackled unilaterally.

# Germany looks for business in India

By Shiraz Sidhva in New Delhi

CHANCELLOR Helmut Kohl arrived in New Delhi yesterday on a four-day visit, primarily to strengthen economic ties between Germany and India, and to explore the business opportunities afforded by India's new economic reforms programme.

While in India, he and the 20 German businessmen accompanying him will visit the Indian Engineering Trade Fair. Germany was one of the first countries to send a business delegation to India when India opened up its economy to foreign investors last year.

Germany is India's largest EC trading partner, accounting for about 8 per cent of its total trade. Germany's exports to India totalled \$1.5bn (£1.04bn) and imports \$1.7bn in 1991. In the first half of 1992, trade was virtually in balance at about \$900m each way.

Finished goods, like leather products, chemicals and pharmaceuticals, cotton and silk garments comprise some 85 per cent of India's exports to Germany; imports are mainly industrial machinery and fertiliser components.

India has received more than DM10bn in financial and technical assistance from (West) Germany since bilateral development co-operation began more than 30 years ago.

Mr Mr Hans-Georg Wieck, German ambassador, said his country was looking towards Indian companies as potential partners in the machine tools, equipment and manufacturing sectors.

The fair, a biennial event, organised by the Confederation of Indian Industry, an autonomous association representing some 2,600 Indian companies in the public and private sectors, has generated business inquiries worth Rs17.16bn (£405m) in the first three days, a record for the fair. The fair's success, especially in industrial engineering goods and machine tools, reflects India's changed business environment, say the organisers.

# New China order for Ericsson

By Christopher Brown-Humes in Stockholm

ERICSSON, the Swedish telecommunications group, said yesterday it had won a \$150m (£104m) contract to expand a mobile telephone system in Guangdong province – the largest Chinese order for a cellular system, it claimed.

The order will more than double the capacity of the network operated by Guangdong Mobile Communications, enabling it to serve 240,000 extra subscribers. The contract calls for the delivery of radio channels, mobile switching centres, data bases and radio link equipment by the third quarter of this year.

Ericsson, the world's leading supplier of cellular telephone systems, already has a strong presence in China. Apart from being the sole supplier to Guangdong, it has recently won contracts to supply Beijing, Tianjin, Guangxi and Hebei. The new order means mobile phone systems have a capacity to serve around 500,000 Chinese subscribers.

# Keating plays the grand trade policy card

**Kevin Brown** in Sydney looks at Labor's pre-election vision of an Australian role in a new integrated Asian Pacific market grouping

WHEN it comes to electioneering, few political leaders have a greater sense of the value of a dramatic gesture than Mr Paul Keating, the Labor prime minister of Australia.

Launching his party's trade policy for Australia's forthcoming federal election, Mr Keating unexpectedly proposed the creation of an integrated Asia Pacific market of 2bn people.

Such a market would account for half of global economic output and 40 per cent of world exports, making it by far the largest of the world's trade groupings.

In addition to Australia and New Zealand, it would include the six countries of the Association of South-East Asian Nations (Asean), the three members of the North American Free Trade Agreement (Nafta), Japan, South Korea, China, Hong Kong and Taiwan.

From Canberra's point of view, the Keating plan is a natural development of Apec, the Asia Pacific Economic Co-operation forum initiated by Australia and the US in 1989.

Apec, which includes all of Mr Keating's target countries except Mexico, has become the main focus of Australian trade promotion efforts, mainly because it accounts for 70 per cent of Australian exports.

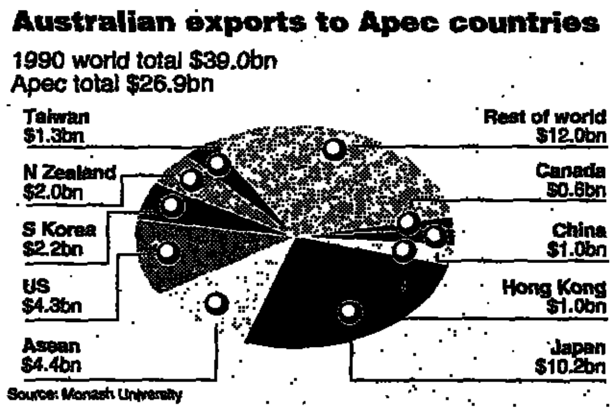
But Australian officials have become increasingly worried about the potential impact of a breakdown of the Uruguay Round talks in the General Agreement on Tariffs and Trade on intra-Apec trade.

There is particular concern that the US might seek a series of bilateral trade deals offering preferential access to Nafta, which could be used to discriminate against Japan, Australia's biggest trading partner. Mr Keating, who has assured Tokyo of Australian support in such a dispute, warned the Clinton administration that it risked "accumulating resentment and resistance" if the benefits of such deals flowed mainly to the US.

The alternative, he said, was "an open economic association in the Asia Pacific region, in which its economies were by degrees integrated to create the world's most dynamic zone of production."

Mr Keating's proposal was intended to contrast Labor's enthusiasm for integration with the Asia Pacific region with the more conservative approach of the Liberal/National Party opposition, which puts more emphasis on traditional links with Europe and North America.

**Australian exports to Apec countries**




Source: Monash University

However, as Mr Keating acknowledged, there are obstacles to the development of a cohesive trading bloc based on the loosely knit Apec grouping. Professor Richard Snape, head of the economics department at Monash University, concluded in a report on Australia's trading options that the size and diversity of Apec meant that negotiations on a comprehensive trade agreement would face the same problems as the Uruguay Round.

For example, the US, Canada, Japan and South Korea are unlikely to make further concessions on agricultural trade than they have already made within the Gatt framework.

In addition, Apec already includes three incompatible trading blocs - the Asean free trade area, Nafta and the Closer Economic Relations (CER) agreement between Australia and New Zealand.

Professor Snape's report also concluded that successful regional trading blocs usually exhibit a high degree of geographical proximity, similar levels of per capita gross national product and cultural affinity.

Recognising these problems and differences, Mr Keating suggested that Apec should initially seek harmonisation of trading and technical standards, competition regulations and corporate law, business practice, investment rules, and professional qualifications.

Even this would be a substantial achievement in a region containing economies as divergent as communist China, the US and Japan. The Asean countries, for example, have found reducing protection difficult, and Australia and New Zealand have so far failed to harmonise company and taxation law.

Senator Gareth Evans, the Australian foreign affairs and trade Minister, said yesterday that Apec was "a very significant counter weight to the ever present pressures at work to break the world into three warring trade blocs, built respectively around the yen, the US dollar and the D-Mark."

However, he played down the prospects of economic integration, conceding that it would be "some time" before the concept of an Asia Pacific free trade area becomes "even remotely" a reality.

"Our position is that in the meantime we should do nothing to inhibit the development of genuinely regional arrangements, and nothing which cuts across Australia's basic self-interest in achieving further trade policy integration with the economies of East Asia," he said.

This approach is less ambitious than the Prime Minister's grand vision of a pan-Pacific common market. But it seems more achievable. It is also supported by the opposition parties, which have backed away from suggestions that a coalition government might seek membership of Nafta in preference to developing Apec.

Whichever side wins the election on March 13, Apec will remain important to Australia as the only mechanism which offers Canberra a seat at the regional table.

## THE CLINTON ECONOMIC PLAN

### Presidential rhetoric and flair attract wide support and leave the Republicans floundering

# A speech to have them rocking in the aisles

**By Jurek Martin in Washington**

RONALD REAGAN did not like it, Ross Perot thought is was "excellent" but a little short on detail, Jack Kemp, sitting in the middle, loved its "rhetoric and goals" but was sure it would not work and Paul Tsongas happily confessed that "the person giving it is not the man I campaigned against." Some of Washington's most conspicuous pundits, ever grudging in their praise, conceded it served a purpose.

According to two overnight polls, three quarters of those surveyed approved its proposals, six out of ten "enthusiastically". One local TV station, camped in an old people's home, reported universal admiration and a willingness to contribute. A Washington Post editorial judged it "well balanced and sturdy".

The joint session of Congress and assorted dignitaries – with Mr Alan Greenspan, chairman of the Federal Reserve, accorded the singular seat of honour between Mrs Hillary Rodham Clinton and Mrs Tipper Gore – interrupted it with applause no fewer than 75 times, probably a modern record. The fact that it featured the first Democrat to give a state of the union address in 13 years is only partial explanation.

It is hard to recall Mr Bill Clinton writing or delivering a better speech. He looked presidential, spoke well and pulled off the formidable trick of simultaneously engaging his audiences in Congress and watching on television.

There were several high spots, starting with the rhetorical call to arms. "If we do not act now," he proclaimed, "you will not recognise this country ten years from now." And again: "The test of our programme cannot simply be; what's in it for me? The question must be: what's in it for us?" This probably explained why Mr Reagan, writing in the New York Times in advance of the speech, dismissed it as a repeat of "the failed liberal policies of the past".

Mr Clinton also cleverly engaged the Republican party, first by declining to blame it for anything and second by challenging it to improve his proposals. "I did not seek this office to place blame. I come here to accept responsibility, and I want you to accept responsibility with me. If we do right by this country, I do not care who gets the credit for it."

Anticipating the predictable "tax and spend" Republican riposte delivered later by Congressman Bob Michel, the House minority leader, the President had them rocking in the aisles when he declared "all those who say we should cut more should be as specific as I have been".

When Republicans guffawed at his assertion that the Congressional Budget Office figures were "independent", Mr Clinton was ready: "Well, you can laugh, my fellow Republicans, but I'll point out that the CBO was normally more conservative in what was going to happen and closer to right than previous presidents have been." The aisles rocked again.

The Republicans, therefore, have been served notice to come up with some alternatives; no easy process for a party deeply riven by its own ideological battles. Pretty much all Mr Michel could say, apart from defending the economic policies of Mr Reagan and Mr George Bush, was that his party would be listening to the voices of the people.

But Mr Perot, who can reasonably lay claim to have his finger on the nation's pulse and who was personally briefed in advance by Mr Clinton, said: "I expect the American people will react very favourably" and would not object to paying higher taxes if they were fair. The president could have expected no more for the moment.

Mr Perot's only aphoristic admonition was to Congress, which also suits the president well. Noting that "the president does not pass laws," Mr Perot said that "giving Congress money is like giving your friend who is trying to stop drinking a liquor store".

A lot of the drinking in Washington is, of course, done by lobbyists, whom Mr Clinton duly threatened by calling for a bill ending lobbying tax deductions and enforcing stricter registration.

Undeterred, however, some were quick to throw down their own gauntlets, with their congressional allies voicing support. Thus both Mr John Sturdivant, representing government workers, and Congressman Steny Hoyer, the Democrat from Maryland who heads the subcommittee handling the federal workforce, said Mr Clinton's proposal to freeze federal pay was "unacceptable" and would be dropped.

But such storm clouds could not take much away from Mr Clinton on a night when he was firing on all cylinders. Last night, far removed from the grandeur of the chamber of the House, he was bedding down in the extreme modesty of the Comfort Inn in Chillicothe, Ohio, which will not have a presidential suite and where rooms normally go for around $30 (£21) a night. This symbolism is just as important.

HEALTHCARE

## Soaring costs that have to be tamed

**By Michael Prowse in Washington**

PRESIDENT Bill Clinton's economic plan was like a book with a missing chapter.

All efforts to revive the economy would fail, Mr Clinton warned in the most moving passage of his address to Congress, if the country failed to take bold steps to reform the healthcare system.

He said the nation already spent 30 per cent more of national income of healthcare than any other industrial country, yet was unique in failing to provide a basic package of benefits to all citizens. On present trends, healthcare would absorb 20 per cent of the economy by the year 2000.

The figures released this week showed that the planned halving of the budget deficit as a percentage of gross domestic product by fiscal 1997 would represent only a temporary fiscal victory if healthcare is not reformed. Double-digit increases in spending on federal health programmes would result in steep rises in the deficit by the end of the decade.

But while identifying the nation's most pressing economic problem, Mr Clinton is not yet in a position to give a clear indication of the type of solution the administration will recommend. Wednesday's plan imposed some relatively minor new curbs on payments to doctors and hospitals under the Medicare and Medicaid programmes for the elderly and poor and increased funding for a variety of preventive health programmes such as children's immunisations.

But a full-scale restructuring of healthcare awaits the findings of the presidential task force headed by Mrs Hillary Rodham Clinton. It is expected to make recommendations by May.

The centrepiece of the reform is expected to be some version of system known as "managed competition". Mr Clinton has indicated that he wants people to be grouped into large healthcare purchasing co-operatives that could negotiate good quality and cost-effective care from competing providers in the private sector.

At issue is the degree to which such institutions would be subject to direct regulations. The administration is examining the feasibility of various more direct controls on the price and volume of services that hospitals and doctors can provide. One option would be to extend regulations now applying to federal schemes to the private sector.

But any changes are likely to provoke strong opposition, if only because cost controls in effect mean controls on the incomes of physicians, hospitals, insurance companies and drug companies, all of which are well represented by Washington lobbyists.

In the short run, there is no prospect of cost controls saving money. Indeed, fears are growing that the planned extension of health care benefits to the 37m Americans without insurance cannot be financed without a new wave of tax increases of between $30bn and $90bn (£21bn and £63bn). Companies fear that directly or indirectly they will be asked to pick up a large chunk of the costs of extending insurance.

But until Mr Clinton writes the healthcare chapter of his reform, his economic package remains an unfinished work, lacking full credibility.

Fired up: President Bill Clinton addresses the joint session of Congress, watched by Vice-President Al Gore. "If we do not act now, you will not recognise this country 10 years from now," he warned

CONGRESS

## Administration presses for a minimum of amendments

**By George Graham in Washington**

PRESIDENT Bill Clinton has called on Congress to deal with his economic programme as a complete package, instead of picking apart each component.

"I ask you all to begin by resisting the temptation to focus only on a particular spending cut you don't like or some particular investment that wasn't made," Mr Clinton implored in his speech to both houses of Congress on Wednesday night. But the legislative realities could mean that this will be difficult to achieve.

The current strategy is to pass a package of immediate spending measures, intended to boost the economy in the short term, in the form of a supplemental appropriations bill. Congressional leaders hope they will be able to get this through House and Senate committees in four to five weeks.

All of the tax measures proposed by Mr Clinton would then be rolled together into a budget proposal, to be laid before Congress by the administration on March 23, and pushed through in the form of a budget reconciliation bill.

Some members of congress had favoured attaching at least some of the proposals to a bill to raise the legal limit on the federal debt – which must pass sometime before the end of March, when the current $4,145bn (£2,871bn) ceiling will be breached.

But this bill, as well as legislation to extend benefits for those who have been unemployed for a long time, is expected to be passed "clean", without extraneous amendments.

President Clinton also called in his speech on Wednesday for a number of other legislative items, including gun control, tougher measures against crime, campaign finance reform, curbs on lobbyists and easier voting registration.

Democratic leaders hope they can begin hearings on the reconciliation bill at the end of March and start to mark it up in detail at the end of April. The goal is to have it passed and sent to President Clinton for signature before Congress goes on holiday in August – though many congressional staffers believe they will be lucky to complete the bill before the autumn.

Congressman Richard Gephardt, the leader of the House Democratic majority, is understood to want to add in to this bill the comprehensive reform of the health care system that Mr Clinton has promised to produce by May. Many others in Congress believe a health-care reform package will, realistically, not be completed until next year.

One fear for the package is that members of congress could amend it to death, adding their favourite tax provisions and exemptions.

The House Ways and Means Committee, which has primary jurisdiction over tax legislation, is expected to remain relatively disciplined. Members who want to propose amendments that will cost money must simultaneously propose offsetting spending cuts to pay for them.

Once it gets to the Senate, the legislation could become more difficult, even though budget rules, which are tighter than usual senate rules, allow only germane amendments.

"There are a zillion tax proposals sitting over there, many of which are plain mischievous," a House staffer said.

## Department gets enhanced role and a bigger budget

**By Nancy Dunne in Washington**

COMMERCE

MR Ron Brown, commerce secretary, yesterday set off to promote the president's plan in speeches in New York and Chicago with "a big smile on my face".

The Commerce Department is a winner from the spending and cuts package proposed by President Bill Clinton to spur US technology and manufacturing competitiveness.

Mr Brown told Chase Manhattan's technical centre in Brooklyn, New York, that the reaction to Mr Clinton's night speech unveiling the plan "makes me know that we are on the right track."

He said creating more jobs was a primary goal of the Clinton administration.

Tax benefits for corporations in high technology investment would help achieve that, especially among small businesses, he added. He noted that small businesses accounted for most American jobs, but did not say how the package would help big corporations, which have been cutting their payrolls.

He described the speech as "a call to arms...,"saying it was "a bold approach, an honest approach." Mr Brown said that while there are some battles ahead, he thought the package will be enacted.

In the short-term, his department will get $358m (£252m), including $117m for advanced technology and computer programmes, $81m for modernisation of the weather service, and $94m for economic development.

Another $64m will go to the development of telecommunications "superhighways" – a pet project of Vice-President Al Gore – which would establish computer networks between libraries, foundations, businesses and individuals.

For the first time, the department will get sufficient funding to support the concept private-public sector partnerships. It will increase the number of "manufacturing technology centres" from seven to more than 100. These will spread the benefits from the department's advanced technology programme, a scheme of matching grants to promote research and development.

The department will get $80m for its role in defence conversion – in addition to $50m already planned – from the Pentagon.

It will lose $6m from the export control programme which helps to curb nuclear and chemical weapon proliferation. Another $65m will be cut from the National Oceanic and Atmospheric Administration.

## QUOTES OF THE DAY

The latest joke from New York is that the new definition of the wealthy is anyone who isn't homeless.

– **Mr Mike Cowan, chief administrative officer at Merrill Lynch in London**

I'm a Republican, but this represents an honest attempt to deal with the underlying problems of the US. I'm going to be a loser and so are most of the other people I know, but I live pretty well.

– **Mr Edward Streator, president of the American Chamber of Commerce in London**

I'm not all that upset about the increase. Living in the UK for a year and a half I realise that we Americans have had a very low rate of tax in the past.

– **Mr Bruce Lassman, head of the US tax desk at accountants Ernst & Young in London**

I'm a supporter of Clinton and I always felt tax increases were necessary. For 12 years we've been getting away from the social problems, the homelessness... state health care has to be improved, the deficit has to be attacked and I think Americans will accept that.

– **Mr Jeff Burke, who works for a US investment bank in London**

I'm concerned about tax, but you have to strike a balance between taxes and spending. In the past 12 years the administration has done nothing to help the distribution of wealth. These are bold steps.

– **Mr Joseph V. Missett, who moved to London to trade crude oil**

It will affect me deeply. I'm shattered. We're already paying high taxes — I'm paying at least 31 per cent.

– **Marianne, a currency trader in New York**

## Deficit reduction package puzzles analysts

**By George Graham**

DEFENCE SPENDING

PRESIDENT Bill Clinton's deficit reduction package includes substantial savings on defence spending over the next five years, but military analysts are still puzzled by the details of the defence budget plan.

Mr Clinton proposes a steady decline in defence budget authority from $274.3bn in the current fiscal year to $263.7bn in 1994 and $248.4bn in 1997, rising again to $254.2bn in 1998.

Over the five years from 1994 to 1998, this plan would cut a cumulative total of $127bn from the defence budget projections of former President George Bush.

But the Bush spending plan, according to a report by the General Accounting Office, does not recognise additional expenses of over $35bn in potential weapons systems overruns, $12bn resulting from Congress delaying programme cancellations, $5.4bn for industrial conversion and $24.5bn for cleaning up hazardous waste on defence property. It also assumes $53bn in management savings, most of which the GAO says may not be achieved.

With little time to produce a complete budget proposal, Mr Les Aspin, the new secretary of defence, appears to have done exactly what he used to complain about when he was chairman of the House of Representatives Armed Services Committee. Instead of building a US defence plan from the bottom up, he has simply cut from the existing pattern, in effect asking each service to come up with a specified amount of savings, rather than radically reviewing each branch's size and roles.

This approach, which remains to be fleshed out with details of the specific weapons programmes that are to be cut, seems likely to reduce the US armed forces to around 1.4m people, 200,000 less than projected under the Bush plan.

Some outside groups that have proposed a more fundamental reassessment of the structure of the US armed forces believe this year's budget is a timid first step.

"This is the first chance of a new administration coming in after the end of the Cold War to make real changes, and they are not even attempting it; they are tinkering around the edges," said Mr Marcus Corbin, a budget analyst at the Centre for Defence Information, a defence policy group founded by retired military officers.

With more time, Mr Aspin may prepare a more root and branch review for next year's budget, but some wonder whether the administration will by then have lost momentum and missed the chance for substantial defence revisions.

PRAISE FROM JAPAN AND EUROPE

## Benefits seen for revival of global economy

**By Charles Leadbeater in Tokyo and Lionel Barber in Brussels**

JAPANESE and European business and political leaders yesterday gave a warm welcome to President Bill Clinton's plans to cut the US federal budget deficit.

Mr Yohei Kono, Japanese cabinet secretary and acting foreign minister, said: "I sincerely hope the US will renew itself. This is the first US president to ask the American people to share the pain."

Mr Henning Christophersen, EC economics commissioner, called the package "encouraging and full of promise" – the most serious effort in years to tackle the federal deficit.

Mr Martin Wassel, economics director of the International Chamber of Commerce in Paris, said: "Clearly America had to tackle these deficits. There may be a weakening in growth prospects in the short-term but in the longer term it will be healthy for the US and the world economy."

The European Commission yesterday also set aside worries that the package could postpone a US-led world economic recovery.

Mr Christophersen singled out for praise Mr Clinton's short-term stimulus aimed at creating 500,000 jobs by 1994, through a temporary investment tax credit and accelerated public spending on housing, infrastructure and education. These measures were similar to the EC's growth package combining incentives for public and private investment, he said.

Despite the initial welcome, some EC officials expressed disappointment that Mr Clinton had failed to use his State of the Union address to endorse the Commission's call for an early summit of the Group of Seven industrialised nations to promote world growth.

Sir Leon Brittan, EC External Economic Relations Commissioner, welcomed Mr Clinton's commitment to successful completion of the Uruguay Round, which he said he had expected after his talks with US officials in Washington last week. But in a speech to a local Conservative party meeting in England, copies of which were issued to the press, Sir Leon said a period of turbulence lay ahead before a Gatt deal was clinched.

In spite of the plan's welcome in Japan, it is bound to add to pressure on the country to open up its markets more and cut its ballooning trade surplus with the US. Tokyo has been pressing the US to cut the federal deficit for the past four years through the long-running Structural Impediments Initiative talks, insisting this was essential to cut the Japanese trade surplus with the US.

Mr Clinton's promise to cut the deficit will also add pressure on Japan to bring forward a special package of measures to stimulate its depressed economy and increase demand for imports.

A senior official at the Ministry of International Trade and Industry said the combination of deficit reduction and subsidies for industrial research and development would help boost the competitiveness of US industry.

Business leaders acknowledged Japan would soon face increasing pressure to respond to the Clinton plan. Mr Gaishi Hiraiwa, head of the Keidanren, the largest employers' association, said Japan should contribute to the stable growth of the world economy through expanding domestic demand and opening its markets.

US BUSINESS

# Pain of new taxes mixed with deficit pleasures

By Alan Friedman in New York, Laurie Morse in Chicago and Louise Kehoe in San Francisco

US BUSINESS leaders appeared divided yesterday in their initial assessment of the Clinton economic package. Many expressed concern that it could damp the fragile recovery but others voiced support for its goals of creating jobs and reducing the country's budget deficit.

Among the new financial burdens for business are an increase in the top corporate tax from 34 to 36 per cent, a slashing from 80 to 50 per cent of the deductions that may be taken for meals and entertainment, and a cancelling of deductions for executive pay of more than $1m, for club dues and for lobbying expenses. Tax credits for the purchase of new equipment were also part of the proposal.

The three main carmakers in Detroit offered conditional support for Mr Clinton's proposals. Mr Robert Eaton, chairman of Chrysler, called it "a tough package" but said this was needed in view of the size of the deficit.

Mr Harold Poling, chairman of Ford, noted that no one liked tax increases because they could have a serious effect on economic recovery. But he thought Americans might be willing to make the sacrifice for a period of time.

General Motors stressed that the package should be analysed in its entirety rather than in terms of how it affected individuals.

The computer and electronics sector was also divided. The most prominent support from any US business leader came from Mr John Sculley, chairman of Apple Computer and a self-professed Republican voter who sat next to Ms Hillary Clinton during the president's speech and applauded before the television cameras.

Mr George Fisher, chairman of Motorola, said that while he was "quite willing to pay more taxes" on a personal level, the increases in corporate taxation were "very shortsighted".

Mr Craig Barrett, chief operating officer at Intel, hoped the higher corporate taxes would not wipe out the benefits of investment tax credits.

Mr Bryan Little, director of government relations for the US Business and Industrial Council, said "the tax increases Clinton proposes will stifle this economy and serve only to shut down small businesses and put people out of work".

The American Farm Bureau applauded the president for tackling the deficit, but said US farmers and ranchers were disappointed that the package relied so heavily on tax increases rather than spending cuts.

In Chicago, Mr Patrick Arbor, chairman of the Board of Trade, endorsed the energy tax rises, but said he was concerned at new charges on futures transactions and would lobby against it.

The view of small business was summed up by Mr Jackson Farris, chief executive of the National Federation of Independent Business. He said the package would do more harm than good to small businessmen because of taxes, paperwork and regulatory burdens that could stifle the economic recovery.

As Clinton administration officials fanned out across the US to help sell the package, Mr Robert Rubin, the former co-chairman of Goldman Sachs who is chairman of the National Economic Council, went to Wall Street yesterday for a lunch meeting with chief executives from 20 top banking groups.

Mr James Harmon, chairman of Wertheim Schroder and one of Mr Rubin's guests, termed the package "bold and courageous" and predicted that it would eventually be approved by Congress.

Mr Harmon called the increase in corporate tax rates "not so serious" and added he did not think the overall package would dampen the US recovery.

Support for Mr Clinton's proposals also came from several trade union leaders. Mr John Sweeney, president of the AFL-CIO union that represents one million workers in the service sector, praised Mr Clinton for coming forward "with an economic plan that puts working people and their futures first and sets the priorities of this nation straight again".

# Energy industry warns of heavy cost

By Alan Friedman in New York, Laurie Morse in Chicago and Bernard Gray in London

THE US energy industry yesterday responded to the economic package with a blast of harsh rhetoric, warning that the proposed levy on petrol, heating oil, gas and coal could damage the economic recovery and cause a loss of jobs.

President Clinton's newly announced energy tax, based on the heat content of fuels, is aimed at avoiding a politically controversial tax on petrol and spreading the higher energy costs between industry and family homes. Instead, the tax would be levied on the thermal content of fuels and, according to US Treasury officials, is expected to raise net revenues estimated at $22bn a year once it is fully in force.

The tax would be imposed at a rate of 25.7 cents per million British thermal units on coal, nuclear energy and gas, and at a much steeper rate of 59.9 cents per million BTUs on oil. The administration plans to phase in the tax in three stages, charging one third of the full rate from July 1, 1994, two thirds a year later, and the

## LEVY ON FUEL

full rate from July 1, 1996.

When fully phased in, the tax is expected to add 7.5 cents to the price of a gallon of petrol, 26.25 cents to a thousand cubic feet of natural gas, and $2.25 to the monthly electricity bill of an average household.

Mr Charles DiBona, president of the American Petroleum Institute (API), claimed, however, that it "really amounts to a thinly disguised gasoline [petrol] tax, one that would seriously harm economic recovery and be a job-killer on a mammoth scale".

Mr Di Bona, in effect the energy sector's top Washington lobbyist, argued that the tax could reduce gross domestic product by $170bn over five years and cost 600,000 jobs.

The API said it did not accept administration estimates of the cost of the new tax "because we do not believe the additional costs can uniformly be passed through on all petroleum products".

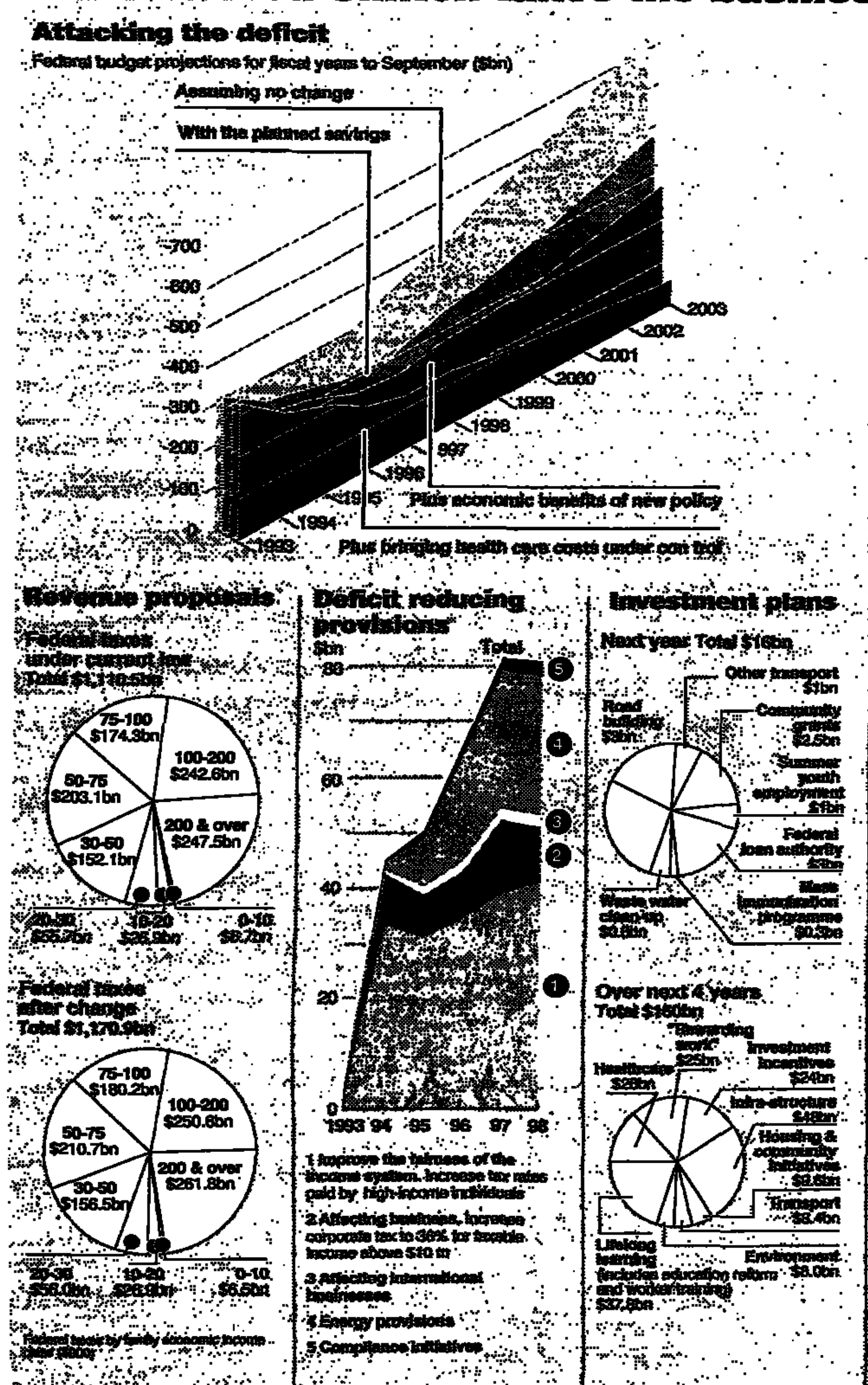
The tax was also attacked as burdensome to middle class families. Jobs that might be endangered were in the Midwest, South, Southwest and Rocky Mountain states because of the energy-intensive industrial and agricultural operations there.

In Oklahoma, part of the energy sector's heartland, Mr Larry Nichols, chairman of independent oil and gas producer Devon Energy, reflected the API's views. He thought the proposal was biased against companies like his because a number of the costs could not necessarily be passed on to consumers.

The US coal industry reacted cooly. But Mr Steve Anderson of Westmorland Coal said "a carbon tax would have been much worse for us", a view echoed by Mr John Grasser of the National Coal Association, who said: "Coal prices will rise by about 25 per cent at the mine. Under a carbon tax it might have doubled."

He was also sceptical that coal use would fall as a result of the tax. "Eighty per cent of our coal goes to the electrical utilities, and the only competitor is gas which will be hit with exactly the same tax."

## America Inc.: Clinton takes the business in hand




### The 'fair burden' on taxpayers (some examples)

**The tycoon earning $2.5m per annum.**
He has three failed marriages behind him.
He pays alimony totalling $850,000 per annum.
He pays mortgage interest of $50,000 per annum.

| Existing tax law: | |
|---|---|
| Salary etc | 2,500,000 |
| Less alimony | 850,000 |
| Mortgage interest (after tax relief) | 10,000 |
| Personal exemption | 0 |
| Taxable income | 1,640,000 |
| Tax | 503,922 |
| FICA | 5,529 |
| Total taxes | 509,451 |
| **Proposed law:** | |
| Taxable income | 1,640,000 |
| Tax (single) | 630,212 |
| FICA | 39,821 |
| Total taxes | 670,033 |

**The middle class man with a wife and two children and a mortgage.**
He earns $200,000 per annum and pays $20,000 mortgage interest.

| Existing tax law: | |
|---|---|
| Salary | 200,000 |
| Mortgage interest (after tax relief) | 17,253 |
| Personal exemptions | 6,580 |
| Taxable income | 176,167 |
| Tax | 47,140 |
| FICA | 5,529 |
| Total taxes | 52,669 |
| **Proposed tax law:** | |
| Taxable income | 176,167 |
| Tax | 48,948 |
| FICA | 6,471 |
| Total taxes | 55,419 |

**The family with three children on an income of $25,000.**
There is no mortgage.

| Existing tax law: | |
|---|---|
| Salary | 25,000 |
| Standard deduction | 6,200 |
| Personal exemptions | 11,750 |
| Taxable income | 7,050 |
| Tax | 1,058 |
| FICA | 1,913 |
| Total taxes | 2,971 |

Proposed tax law: No change

Source: Price Waterhouse preliminary estimates

### Other main measures

- Personal tax deductions would no longer be available for executives paid more than $1m a year. Club dues would cease to be tax-deductible.
- Only half the cost of business meals and entertainment would be tax-deductible, down from 80 per cent.
- Lobbying expenses would no longer be allowable against tax, hitting one of Washington's most active industries. Extra tax yield by 1998: $978m.
- A package of measures to encourage investment in real estate would cost $5.6bn in the next six years. Most of this would come from a permanent extension of tax relief on mortgage revenue bonds, though there are also proposals to modify tax rules governing real estate investment by pension funds, among others.
- A temporary investment tax credit would be available to large companies for 1993 and 1994, while companies with a turnover of less than $5m a year would get a permanent tax credit. The package is expected to cost $9bn next year.
- Further measures to encourage businesses to invest would include a permanent extension of the tax credit for research and experimentation (tax cost this year: nearly $1bn) and a modest extension of depreciation allowances (at a total cost of $1.6bn over five years).
- Investments in small businesses (those worth $25m or less) would qualify for a 50 per cent capital gains tax exemption, provided they were held for at least five years.
- A tax credit available to companies operating in US possessions would be cut back, affecting mainly pharmaceuticals companies and other manufacturers operating in Puerto Rico and the Virgin Islands. These companies would between them pay $7bn more in taxes by the end of 1998.
- Securities dealers would have to adjust their inventories of securities to market prices for tax purposes, forcing them to recognise book profits. This tax on Wall Street would bring in more than $1bn a year once it is fully phased in, from 1995.

EC ENERGY POLICY

# Europeans still agonising over carbon taxes

By Bronwen Maddox, *Environment Correspondent*

THE US energy tax measure removes one obstacle to the introduction of European energy and carbon taxes, but many impediments remain.

Unlike the US proposals, the European initiatives have so far been driven more by environmental pressure than a need to raise money.

The European Commission has proposed a tax on energy and on its carbon content to encourage efficiency and to discourage the use of fossil fuels which emit carbon dioxide and could contribute to global warming. EC countries are committed under the convention signed at last July's Earth Summit in Rio de Janeiro to find ways of stabilising emissions of carbon dioxide at 1990 levels by the year 2000.

However, the EC proposals are conditional on most industrialised countries adopting similar ones, to avoid handicapping European industries. In addition, there have been disagreements between EC countries about the best form of these taxes.

Poorer countries want them directed only at the heaviest polluting countries – the industrialised ones – while a UK Treasury minister said in parliament on January 15 that Britain was "not yet convinced that a Europe-wide tax was a necessary or appropriate response to global warming".

Mr Ioannis Paleokrassas, the new EC environment commissioner, said in a recent interview that the difficulty of getting internal agreement within the EC, as well as with other industrialised countries, meant that proposals for the taxes were unlikely to make much progress this year.

In the form originally proposed, the EC energy and carbon taxes had most impact on the energy sector. However, intervention by governments in their power generation markets, such as the present UK coal review, could impede the working of the tax.

The UK parliamentary select committee on the environment last week argued that a carbon tax would be of little use in persuading electricity generators to switch to cleaner fuels if the UK government was proposing to subsidise coal.

The US decision has removed the European fear of competitive disadvantage. However, any hopes that this will speed up European negotiations may be premature.

JANUARY INDICATORS

# Inflation rises as output advances

By Jurek Martin in Washington

US CONSUMER prices jumped by 0.5 per cent last month, well above the revised 0.2 per cent advance of December and the steepest monthly increase in the last two years.

Other statistics released yesterday showed continuing strength in industrial production, up 0.4 per cent in January, another decline in the weekly claims for unemployment benefits and a small reduction in the December trade deficit.

Principal factors behind the rise in retail prices were more expensive vegetables, petrol, tobacco and clothing. But even excluding food and energy, whose prices tend to be more volatile, the so-called core consumer inflation rate also rose by 0.5 per cent.

Although the increase exceeded the expectations of analysts, January itself is often a statistically unreliable month and there was no immediate inclination to see in these figures a resurgence of general inflation. Last year consumer prices rose by a modest 2.9 per cent and President Bill Clinton's new economic proposals assume no additional inflationary pressures.

The 0.4 per cent increase in industrial production, following revised gains of 0.2 per cent and 0.5 per cent in December and November respectively, is more consistent with the general picture of an economy modestly on the mend.

Increased output of cars and car parts accounted for about a half of the advance in the index, but production of consumer goods, business equipment and construction supplies also recorded advances. Total industrial capacity usage in January rose by 0.2 per cent to 79.5 per cent, the highest since October, 1991.

The US trade deficit in December fell to $6.95bn (£4.81bn) from the revised $7.35bn of the previous month. This brings the cumulative deficit for the full year to $84.34bn, up from $65.40bn in 1991. The weakened economies of the main US trading partners and the domestic recovery presage a wider deficit in 1993.

In the year, the sensitive US trade deficit with Japan rose to $49.4bn from $43.4bn in 1991. It thus accounted for nearly 60 per cent of the worldwide deficit.

The US surplus with the European Community also dropped sharply last year to $6.19bn from the $16.42bn of 1991. In December the US ran a deficit with the EC of $308m, half that of November.

US TREASURY BUOYED

# Officials feel load off their shoulders

By Michael Prowse in Washington

THE Clinton economic package would enable the US to hold its head up high in international negotiations and promote its agenda of global growth more effectively, a Treasury official claimed with evident satisfaction.

He said the package, which included a planned halving of the budget deficit as a percentage of gross domestic product over the next four years, was a "real response" to calls for tough US fiscal action from trading partners. It would set the tone for better international economic relations.

Foreign governments should note that the Clinton strategy was "consciously internationalist". The goal was to improve US economic performance not by erecting protective walls to foreign products or capital, but by domestic reforms that raised US productivity.

The plan offered a real hope of lower long-term US bond yields and faster growth of output.

In recent years, US economic diplomacy has been hampered by its failure to take the tough budgetary medicine advocated by its trading partners and by international bodies such as the OECD and the IMF.

Since being nominated as Treasury secretary, Mr Lloyd Bentsen has repeatedly said he would try to revitalise economic co-operation between the Group of Seven industrial countries. He is attending a G7 meeting of finance ministers and central bankers in London on February 27.

He seems likely to press European governments to lower interest rates towards the low levels prevailing in the US and Japan as part of a co-ordinated strategy to promote global growth.

# Shift in debt maturities

By Laurie Morse and Tracy Corrigan

## BONDS

PRESIDENT Clinton's deficit-cutting plan may include a reduction in the maturities of debt issues by the US Treasury, in an attempt to reduce heavy interest costs.

Mr Leon Panetta, budget director, has projected $11.5bn in savings over four years by shifting debt maturities.

Savings are possible because short-term interest rates in the US are substantially lower than long-term rates. The benchmark 30-year long bond yields 7.04 per cent, compared to the bond-equivalent yield of 2.94 per cent on three-month Treasury bill. The wide margin reflects last year's short-term interest rate cuts and fears about the future impact of the budget deficit and inflation.

Mr Panetta tried to reassure the markets on Wednesday night by saying any change in the debt mix would be made gradually.

Analysts, however, say a shift in debt to the short end of the yield curve could be short-sighted, and would expose the huge US debt to increased reinvestment risk. "The $11.5bn savings would come only if all things remain constant, and nothing does," said Mr Frank Sannella, credit market analyst at Stone and McCarthy Research Services.

The Treasury runs the risk of missing out on relatively cheap long-term rates while driving up the cost of short-term debt.

"With interest rates as low as they are, its time to lock in on the long end, which is what many corporations are doing right now," said Mr Daniel Smith, president-elect of the American Bankers Association.

# Mixed reactions to foreign tax plans

By Andrew Jack in London and Charles Leadbeater in Tokyo

## COMPANY TAX

FOREIGN COMPANIES with US operations reacted with a mixture of concern and relief to President Clinton's proposed corporate tax changes.

Foreign companies have been particularly relieved to see a retreat from President Clinton's strong campaign rhetoric to recoup up to an extra $45bn over four years from overseas companies operating in the US. That figure has now been revised down to just $3.8bn over six years.

But they have expressed worries about the $38m additional expenditure to be made on hiring new investigators in the US Internal Revenue Service and increasing their audits on foreign companies to ensure compliance.

That will mean extra expenditure by companies in ensuring adequate documentation to prove that they have been filing accurate, fair tax returns.

"Generally British companies are still very concerned and nervous," said Mr Peter Dickinson, head of international tax at accountants Coopers & Lybrand. "It is going to be much more expensive to operate in the US, now and the economic case for investing there has clearly been reduced."

"One company I have spoken to said this would be a frightful additional burden," said Mr Dickinson. "The feeling is the IRS has had enough ammunition in the past. Any more pressure will be intolerable."

Companies would also take a direct hit to their earnings from the 2 per cent basic increase in corporation tax to 36 per cent.

Mr Mike Wort, of Wellcome, the pharmaceutical company with US manufacturing operations, said: "In the short-term there is little we can do. We plan no significant changes and we have no intention to pull out. The US is still a profitable market for us."

However, Japanese groups with US operations were more sanguine. In Tokyo, Honda, with two US factories employing 15,000 workers, said of the possibility of more auditing of their figures: "This is nothing for us to worry about. We have been following US law."

Toyota, the leading Japanese car maker, which has four factories in the US employing more than 10,000 employees said: "We have contributed a lot to the US economy, we are not worried about it at all."

Sony, Sanyo and Matushita, the electronics groups, which together operate 20 factories in the US all said they were not concerned about the plans. All the companies said the proposals would not affect plans for further investment in the US.

Mr Edward Streator, president of the American Chamber of Commerce in London, said: "I think people are obviously concerned about how much of a ripple effect these proposals will have. But my hunch is the effects will be slight."

# UN general orders Bosnia aid delivery

By Laura Silber in Belgrade

GENERAL Philippe Morillon, French head of the United Nations protection force for aid convoys in Bosnia, yesterday ordered his troops to go ahead and deliver emergency supplies to a besieged Moslem enclave in eastern Bosnia – regardless of suspension of relief operations by the UN High Commissioner for Refugees.

The UNHCR in Belgrade welcomed the efforts of Gen Morillon. "If he gets through it will be good news for the people of Gorazde," said Ms Judith Kumin, head of the Belgrade UNHCR office.

Diplomats said the independent initiative of Gen Morillon reflected possible splits between the UNHCR and some of the national contingents of the UN peacekeeping forces. One diplomat described Gen Morillon as a "loose cannon".

UN forces on the ground in Sarajevo were reportedly stunned by the decision on Wednesday of Mrs Sadako Ogata, the UN High Commissioner for Refugees, to halt relief operations in all Serb-held parts of Bosnia and air and land convoys to Sarajevo.

Serb commanders yesterday pledged to allow a convoy to travel to Gorazde today after Gen Morillon met Bosnian Serb commanders in Rogatica, about 30 miles north of Gorazde.

Gen Morillon promised Serbs that the road to Gorazde would be repaired, according to the UNHCR Belgrade office.

Eight UNHCR convoys over the past four months have reached the mainly Moslem Gorazde, in a Serb stranglehold since war erupted in April.

UNHCR officials yesterday said warehouses in Sarajevo, which are at capacity, would be unlocked in an attempt to provide food for some 380,000 people trapped in the Bosnian capital. The Bosnian government last week said Sarajevo would refuse further aid shipments until the UNHCR succeeded in reaching some 100,000 Moslems besieged in eastern Bosnia, some without outside relief since the war began.

Bosnian Serb commanders have repeatedly refused to allow the passage of UN humanitarian relief for Moslem enclaves.

Serb commanders for four days this week stopped another convoy bound for Cerska, eastern Bosnia, because of fighting in the region. The convoy yesterday returned to Belgrade following the suspension of UN relief operations.

Bosnian Serb leader Radovan Karadzic said the UNHCR decision to suspend aid was regrettable and blamed Moslems for blocking the convoys.

● Russia has agreed that Nato could enforce any new peace agreement in Bosnia in what could be an unprecedented joint operation between former Cold War enemies, Reuter reports from Brussels.

# Kuwaiti MPs open a magic cave

## National assembly flexes its muscles over foreign investments, writes Mark Nicholson

FOR the first time in Kuwait's history, a small group of elected representatives will examine the state's books.

Under a law formally promulgated in Kuwait last week, all state-owned companies and investment organisations, must now pass their accounts to the auditor general. He must then pass them to a committee of Kuwaiti MPs.

The law, which will also toughen penalties for misuse of public funds, is likened by its drafter, Mr Hamad al-Jouan, chairman of the National Assembly's legislative committee, to the secret word with which Ali Baba opened the magic cave. "With this law we have invented our secret word for that cave to open."

The cave, of course, contains Kuwait's rich – if these days diminished and scandal-tarnished – trove of overseas investments, most of which are managed by the London-based Kuwait Investment Office. "Since the earliest days of democracy in Kuwait, people have been asking what KIO was doing," says Mr al-Jouan. "But parliament has never had the strength to make such a law a reality".

That changed last October, when Kuwait's 84,000 eligible voters returned what many of the 50 elected MPs consider to be the Gulf state's most powerful National Assembly ever – and certainly the most powerful assembly in the Gulf. In three-and-a-half months, the assembly has mandated parliamentary scrutiny of the state's accounts, and embarked on an unsparing examination of what went wrong in the days leading up to the Iraqi invasion in August 1990. Next it wants a decisive say in determining economic policies.

In a country which has seen almost as many suspended parliaments as sitting assemblies since the 1962 constitution came into force, MPs finally appear to have won a measure of real governing power.

This is not a development which will bring hails of joy in neighbouring capitals, where vaunted steps towards wider political participation more closely resemble a reluctant shuffle.

Nor is it entirely to the liking of the ruling al-Sabah family. However, since their return to liberated Kuwait in 1991, they have had little choice but to accommodate a profoundly changed public mood.

In part, this reflects anger at the way the al-Sabah handled the crisis before the invasion, and its indecision afterwards. However, increasingly, it reflects growing suspicion that al-Sabah hands have not been the safest for guaranteeing the security of Kuwait's endowment to its future generations: being its foreign investment bounty.

The emergence since the end of the Gulf war of a stream of embarrassing revelations

> 'Since the first days of democracy, people have been asking about KIO'

about Kuwait's overseas investments, which topped \$100bn (£69bn) before the Gulf war, not only helped sweep an opposition majority into the National Assembly, but gave the new MPs a considerable lever over the ruling family.

It already appears that some members of the al-Sabah family may face prosecution for their part in the \$4bn losses of Grupo Torras, KIO's Spanish holding company.

Meanwhile, Kuwait's public prosecutor is helping to prepare a criminal law suit against former KIO executives in London.

"This affair runs very deep," says one western diplomat.

The government has said it will do its utmost to uncover and punish all wrongdoing at KIO - whatever the family names of anyone found guilty. It has also agreed to allow the assembly freedom to conduct its own investigations.

But if the al-Sabah have agreed to cede some of their governing power to the National Assembly, the parliament in its turn appears to have come to an understanding with the "political leadership" in the family.

In the words of one eminent MP: "We're saying give us more power to supervise our wealth and our future, and in return, the government can look after the investigation and punishment of its own."

This, in essence, appears to be the deal being cut between Kuwait's assertive new parliament and its ruling family.

"The National Assembly understands our ruling family very well," says Mr al-Shatte. "It also remembers the suspensions of previous parliaments, and we have decided not to push affairs to a confrontation". But he adds something of a warning. "We will also not accept mistakes by important people which could be considered crimes."

The emir, Sheikh Jaber: has come to an understanding

Kuwait lives in too unstable a region to wish to damage entirely the credibility of its rulers. As a local diplomat says: "Whatever internal conflicts there may be here, there is unity towards the outside world. And there has to be."

Kuwaitis concede damage from row. See International Capital Markets Page

# Japan may be permanent Security Council member

By Charles Leadbeater in Tokyo

JAPAN may become a permanent member of the United Nations Security Council after a wide-ranging review of the council's structure, Mr Boutros Boutros Ghali, UN secretary-general, said yesterday.

"There is a lot of possibility of Japan having a permanent seat, but it is a decision of the member states," Mr Boutros Ghali said at the end of a four-day visit to Japan.

The country's case for a permanent seat was also backed by Chancellor Helmut Kohl of Germany, who begins a visit to Tokyo in a week's time.

Mr Kohl told a Japanese television interviewer that it was natural that Japan should become a permanent member, following changes to the make-up of the Council, to reflect the rise of Asian economic power.

Germany itself is seeking a permanent seat on the Council.

Mr Boutros Ghali's comments are likely to rekindle the debate over reform of the Security Council, which has 15 members and five permanent members.

The UN is in the midst of asking its 180 members their views on the subject.

Any reform would have to be supported by all five permanent members, at least nine of the overall membership, and a two-thirds vote of the UN General Assembly.

It could, however, be subject to a veto, perhaps from Britain or France, neither of which is enthusiastic about Japanese permanent membership.

It might also open up a flood of applicants from other states claiming similar status.

Mr Warren Christopher, US secretary of state, recently supported reform of the Council through agreement among its members, which would allow Japan a permanent seat.

His remarks provoked a sharp response from the British government, a permanent member, which is concerned it may lose its seat under a restructuring.

Mr Boutros Ghali seemed intent on wooing Japan, partly because a greater Japanese involvement in the UN might ease some of the organisation's financial pressures.

The secretary-general said he would welcome Japanese peackeepers as part of the UN's operations in Mozambique, as a step towards Japan deepening its involvement with the organisation.

Japan's involvement in peacekeeping activities was not, however, a precondition for it gaining a permanent Security Council seat.

Japan's first peace-keeping unit took up its post in Cambodia last September, after years of agonising over whether such a role was appropriate under the pacifist constitution. It is barred from combat zones.

"Those with more economic and political power have more responsibility than others," the secretary-general added. "Important countries have important responsibilities. We need more participation from major countries. Japan is a great power and we need its participation."

The UN's credibility would be damaged if it was seen to be too much influenced by a single power such as the US. Japan should become more involved in the UN's activities to reinforce its international credibility.

"If the United Nations is under the influence of one power, this is because that country is very powerful and because other countries are not paying enough attention to the UN."

A Somali man transports an old car by donkey cart through the streets of Mogadishu yesterday. Virtually every vehicle on the city streets is a patchwork of reused parts due to lack of spare parts

# ANC backs away from conflict over plan

By Patti Waldmeir in Johannesburg

THE African National Congress yesterday backed away from confrontation with the South African government over a proposed plan for multi-racial power sharing.

The organisation's policy-making national executive committee yesterday decided to endorse the plan, which calls for a multi-party interim government to rule until the end of the century, reversing an earlier decision to refer the deal back to its membership for approval.

Mr Cyril Ramaphosa, the ANC Secretary General, said the decision had been unanimous. However as he spoke in Johannesburg, Mr Chris Hani, a prominent ANC leader and general secretary of the South African Communist Party, contradicted him in a speech in Cape Town, saying the ANC would share power with the National Party in a "government of national unity" only for about nine months – the time it would take to write a new constitution – and not for the five years announced by Mr Ramaphosa.

Mr Ramaphosa's success at pushing the deal through the national executive could give a boost to multi-party negotiations on a new constitution, with the first round of talks due to take place next week. However, there are many crucial issues which remain unresolved in the outline agreement due to be debated in the talks, including whether power-sharing in the interim government should be voluntary or compulsory.

Another area of dispute will be the cabinet mechanism for decision-taking: Mr Ramaphosa insists that the majority party will dominate cabinet except in certain limited cases where a two-thirds majority will be required.

## NEWS IN BRIEF

### HK airport project chief replaced

HONG KONG'S business community was last night taken by surprise when Mr Richard Allen, the man who has overseen the construction of Hong Kong's new airport for the past two years, was replaced as chief executive of the Provisional Airport Authority (PAA), Simon Holberton writes from Hong Kong.

The PAA said that Mr Allen would be succeeded as chief executive today by Mr Hank Townsend, a senior executive of Bechtel Corporation. Mr Townsend was until recently an adviser to the Hong Kong government on its HK\$175bn (£16bn) airport and related infrastructure projects.

After a meeting of the board of the PAA, the authority released a short statement saying Mr Allen was leaving by mutual agreement.

### Crowded ferry sinks off Haiti

A ferry packed with Haitians bringing food and animals to sell in the markets of the capital sank in a storm and hundreds of people were feared dead, officials and witnesses said yesterday, Reuter reports from Port au Prince.

One survivor said there were about 820 people on the boat, but other reports put the total as high as 2,000.

### Palestinians shot dead

Israeli troops shot dead four Palestinians in 24 hours in renewed clashes, providing a bloody backdrop for the first Middle East tour by Mr Warren Christopher, the US secretary of state, Reuter reports from Jerusalem.

# Mitsubishi Heavy in job cuts

By Michiyo Nakamoto in Tokyo

MITSUBISHI Heavy Industries yesterday became the latest Japanese company to announce a big cut in its workforce in response to the worsening Japanese economy.

The company, Japan's largest heavy machinery manufacturer, said it would reduce the number of employees at its Mihama plant in Hiroshima by about 10 per cent, or close to 400 workers, to meet an equivalent fall in demand for products made at the plant.

Last autumn, the company sent a number of employees working at its machine-tool plants temporarily to Mitsubishi Motors, a fellow-member of the group.

Mitsubishi Heavy said it aims to curtail its Mihama workforce over two years through natural wastage, reduction in graduate intake, and by transferring staff to affiliated companies.

The move highlights the spreading impact of the slowdown in Japan's economy on the nation's workforce.

The prolonged downturn has not yet led to huge redundancies, but Japanese companies have been restructuring their workforces by encouraging older employees to retire early, transferring staff to affiliated companies and restricting graduate intake.

A phone hotline for employees sponsored by a group of lawyers specialising in labour relations has received nearly 500 calls, many of them from white-collar workers.

Japanese newspapers report that a majority of the calls to the hotline were from manager-level employees facing pressure to take early retirement or redundancy.

The social stigma still attached to corporations which resort to drastic redundancies has led most companies to stress that the decision to leave is entirely up to the individual.

IBM Japan, for example, which launched a second career programme for people aged 50 or older, said it had no target for staff reductions, although 3,000 employees would be eligible for the financial support offered under the programme.

# Nigeria reforms challenged

By a Correspondent in Abuja

NIGERIA'S relaunched reform programme faced its first big challenge yesterday, as the naira fell sharply against the dollar and state governments began conceding demands for 45 per cent pay rises.

The government promised in January to trim spending and cut the budget deficit, reduce inflation and curb money supply in an effort to put the economy on a stable footing before the planned handover to civilian rule in August.

At yesterday's Central Bank of Nigeria (CBN) foreign exchange auction, the dollar sold for 24.99 naira, compared with 20.56 naira at the CBN's last sale on January 19. Bankers blamed the decline on high inflation and a continuing shortage of foreign exchange. Fewer than 18 of the 80 banks that bid at the Dutch auction were successful. The central bank was reverting to the system scrapped two years ago of competitive tendering by the banks. It has cancelled all but two of its scheduled weekly foreign exchange sales in the past two months.

Fears the counter-inflationary policies set out in the January budget will be undermined were raised yesterday when Lagos state administration joined Yobe and Katsina States and gave way to 45 per cent wage claims. Other states are expected to bow to pressure from striking employees.

Last June, the federal government announced a 45 per cent pay increase for its staff. Union leaders have warned that further wage demands should be expected, saying the awards should be treated as an interim measure. Inflation at present exceeds 45 per cent.

The naira, which exchanged for more than a dollar in the early 1980s, was devalued by 41 per cent last March to close a gap with the parallel market. It is worth less than five cents today. In March the CBN reformed its foreign exchange system to make itself an active participant in the market, buying and selling foreign exchange at market rates.

Mr Ernest Shonekan, chairman of the country's transitional council, is expected to stress the importance of keeping to budget targets when he addresses a conference on the economy beginning in Abuja today.

# Economists take control until the snow melts

## Old guard confronts Tajikistan's economic ills during a lull in fighting, writes Steve LeVine

HAVING quieted its civil war, the ex-Soviet Tajikistan government has embarked on an ambitious economic programme, including oil, gold and cotton projects. But success is far from assured, hinging on whether Islamic-dominated opposition forces, now trapped behind deep winter snows, will regroup in spring.

In a promising region with largely untapped natural gas and oil reserves, the ramifications of new fighting go far – Russian President Boris Yeltsin and Tajikistan's neighbours are more worried than ever that instability will spill over their borders.

The chief source of their anxiety is the presence of thousands of Tajik fighters in rebel training camps in Afghanistan, who are expected to try to return home in spring. Already, hundreds of fighters and thousands of arms have come over the border.

Against this backdrop, Tajikistan leader Imamali Rakhmanov is leading a Commonwealth of Independent States' effort to hold the line against upheaval in otherwise quiet, conservative Central Asia. But he is not doing it alone. His Commonwealth allies are providing prodigious military assistance.

"If we manage to seal the border and stop the weapons coming from Afghanistan for one or two months," Mr Rakhmanov said in an interview, "we'll be able to manage our other problems."

Two years ago, rigid communism in Tajikistan began to give way to a democratic and Islamic state. But a year ago the Soviet Union collapsed, and in its poorest republic a series of coups, counter-coups and civil war ensued. The trouble shattered the nation of 5m people, tucked between China, Afghanistan and Uzbekistan. About 7 per cent of the population, or 350,000 people, were displaced, with about a quarter of them fleeing to Afghanistan.

In November, the tide turned. The old-guard Soviet leadership reasserted itself, crushed its Islamic-dominated enemies, and by December retook power in the capital of Dushanbe. Today, the civil war is calmed, and the government is conducting small operations to try to finish off its opponents.

Assistance has been provided by those who, like Tajikistan's old communists, have the most to gain. Both Uzbekistan and Russia deny any combat role in Tajikistan. But military and diplomatic sources, and independent foreign observers, say both republics have been on the front line with Tajik forces.

According to these sources, since October, Uzbekistan has sent MiG and Sukoy fighters and attack helicopters on numerous bombing runs on behalf of Tajikistan's old guard. In some cases, Uzbekistan has also sent troops to battle the Islamic-dominated forces, the sources say. Russian tank forces, the sources say, participated in combat operations in January and this month in opposition strongholds east of Dushanbe, at Obigarm, Rogun and Ramit Canyon.

Russia has also agreed to send an additional 2,000 troops to seal the border with Afghanistan. Afghan rebels have


armed, trained and even led some of the Islamic-dominated forces into battle. Right now, the opposition is concentrated in the snowbound town of Komsomolabad and across the border in Afghanistan, where about 5,000 Tajik opposition fighters are believed to be awaiting the spring thaw.

Mr Rakhmanov considers these forces the greatest threat to his government's efforts to reverse an economic decline that, next to Armenia's, is the ex-Soviet Union's worst.

The year of fighting prevented the harvest of 70 per cent of the 1992-93 cotton crop, or 600,000 tonnes, costing a potential \$200m (£138m) in foreign exchange, according to the government. The instability, plus a shortage of material and spare parts, reduced aluminium production in the last year by one-third, to 340,000 tonnes from the expected output of 500,000 tonnes; which cost Tajikistan \$170m in potential foreign exchange. Wheat was not planted at all in the autumn, and light industry closed down entirely eight months ago in southern Tajikistan.

Mr Rakhmanov, however, talks of building up a prosperous republic.

The first foreign deal has been with the American company Kerry Energy. Kerry has won a \$32m contract to refurbish oil wells and build a refinery in Tajikistan's industrial north, between Kenibadan and Isfaran. The deal is meant to restore Tajikistan's Soviet-era oil production of 400m tonnes a year, from its current output of 40m tonnes, and then to develop new reserves.

Much of the rest still must be proven. Satellite photographs indicate other oil and natural gas deposits in southern Tajikistan, Mr Rakhmanov said, and silver deposits are also being explored. Iron ore has been found in Leninabad – one field contains 60m tonnes – and gold deposits are being examined at Penjikent. Tajikistan also plans to plant an additional 1.6m hectares to cotton.

However, few people believe that anyone can seal the porous border with Afghanistan, which runs along the Amudarya river, and most observers expect the war to rage again in spring. Still, Mr Rakhmanov – and his Commonwealth allies – plan to try.

"This is the anointed government. Every one wants this government to work," said a diplomat in Dushanbe. "If they can bring these fighters under control, they will have the thing wrapped up."

SALEROOM

# 'Woman of Fashion' sells for \$1.98m

By Antony Thorncroft

"LA MONDAINE", or "The Woman of Fashion", by James Jacques Joseph Tissot, depicting a girl at a smart party being helped out of her fur coat by her elderly lover, sold for \$1,982,650 (£1.38m) at Sotheby's in New York on Wednesday, an auction record for the 19th-century French artist.

It was one of the 15 "Women of Paris" paintings Tissot completed in the 1870s, portraying the self-confident "New Woman" of the Third Republic: the young girl at the centre of the painting boldly holds the gaze of the viewer.

The picture came from the collection of the Toronto industrialists Joey and Toby Tanenbaum, selling near the top of its estimate.

Two other paintings from the series were also sold by the Tanenbaums. "Sans Dot" ("Without Dowry") shows a young widow in black offering herself for inspection in a park, and went well below its \$1.2m-\$1.8m estimate, at \$882,500. "The Sphinx", an inscrutable young woman on a couch, fetched the same sum, also selling below target.

Obviously, Sotheby's was expecting too much from a still convalescent art market.

Even so, with a sale totalling \$10.2m and only 15 per cent unsold, it will be pleased with one of the first big art auctions of 1993, and one in which successful bidders now have to pay a 15 per cent premium, instead of 10 per cent, on top of the hammer price.

A record price of \$800,000 (way above the top estimate of \$360,000) was paid for "The Mirror" by the British artist Sir Frank Dicksee.

It was bought by the London dealer Macconall-Mason who advises Sir Andrew Lloyd Webber, the leading buyer of Victorian art. It shows a young girl staring at herself in a hand mirror.

Belle-Epoque and orientalist pictures did best in a sale of pictures likely to appeal to first-time buyers enjoying a revival in the US economy.

# Jobless above 3m for first time in six years

By Peter Marsh, Economics Staff

HEADLINE unemployment rose last month to 3,062,065, the first time for nearly six years that the total has breached 3m.

Adjusted for seasonal variations, the total is 2,995,100, after a rise of 22,100 in January compared with the previous month.

Although the 33rd consecutive monthly rise in the adjusted total is the smallest since last June, employment department officials said there was no sign the increase in unemployment was slowing down.

The headline or unadjusted total increased by 78,726 in January compared with December, much of the rise being due to seasonal factors. Last month's headline total is the highest since April 1987, while the seasonally-adjusted figure was last exceeded in January of that year.

A glimmer of good news for the government was that the underlying increase in average earnings across the economy in December was a year-on-year 4.75 per cent, the smallest annual rise for 25 years.

The annual change in underlying earnings was 5 per cent in November, while last April it was 7 per cent. The subdued growth in wages may help the Treasury to hit its target of keeping underlying inflation below 4 per cent.

Underlining how the recession has contributed to calmer industrial relations, working days lost last year due to labour disputes came to 523,000, the lowest annual total since government records began in 1891.

Since the low point for seasonally-adjusted unemployment in April 1990, the number of people without jobs and claiming benefit has risen by 1.4m from 1.6m, or 88 per cent. Last month all UK regions expect for northern England registered a rise in joblessness.

The total in the south-east, including Greater London, rose by 11,800 in January, accounting for more than half the monthly figure for the UK as a whole. In this region, unemployment has increased by 616,300 or 188 per cent, since early 1990.

The lower-than-expected increase in unemployment in January followed a large 60,300 rise in December. The average monthly increase during the three months to January was 42,400, compared with the equivalent figure of 35,900 in the three months to October last year. In January, 10.6 per cent of the workforce was without a job, up from 10.5 per cent in December.

In manufacturing, employment decreased by 32,000 in December to 4.32m, after falls of 25,000 in November and 10,000 in October. In the year to December, average earnings in the sector rose by an underlying 5.5 per cent, after 5.75 per cent in the year to the previous month.

Reflecting that manufacturing output has fallen in recent months by relatively small amounts while unemployment has risen steeply, output per person in the sector was up 6 per cent in December compared with a year previously, the highest year-on-year figure since April 1989.

Editorial Comment, Page 13
Lex, Page 14

## Timex plant besieged by dismissed workforce

By Robert Taylor, Labour Correspondent

ANGRY pickets yesterday besieged the Dundee plant of Timex Electronics, the US-owned multinational, in protest at the company's decision to sack all its production workers in Scotland and replace them with a new labour force.

This is the largest case of a mass dismissal of workers by a company in Britain since News International fired its print workers before moving to Wapping in east London in January 1986.

Yesterday the first 12 recruits walked into the Dundee plant, which makes printed circuit boards, through a picket line of former Timex employees.

Mr Peter Hall, the Timex president last night, said the mass picketing at the plant was illegal.

The company intended to increase production in the second half of the year and recruit a further 300 workers, he added.

With more than 10.2 per cent of Dundee's workers jobless, the company has been inundated with applications.

Mr Hall said the company had decided to replace its 320-strong manual workforce, following a 20-day dispute over lay-off provisions.

Senior executives flew from Connecticut last week in an attempt to hammer out a peace plan with the union. This involved acceptance of a rotation of lay offs among the whole workforce for six months with access to independent arbitration; a pay freeze for 1993; a 10 per cent cut in benefits and introduction of a profit sharing scheme.

Mr Gordon Samson, the AEEU's district secretary in Dundee, said the workers had agreed to return to work but "under protest" and the company had then fired them. "This is a lock-out, not a strike", he said.

The trouble at Timex began just before Christmas when the company warned the AEEU that the Dundee plant faced closure or at least compulsory redundancies if the workforce did not accept lay-offs and a reduction in the value of their present lay-off agreement.

## Firm in alleged charity fraud unlicensed in UK

By Norma Cohen, Investments Correspondent

TILEN Securities, the firm at the heart of an alleged £6m fraud, is neither registered in Britain nor authorised to conduct investment business here, regulators said yesterday.

Two individuals named in a writ filed by the Salvation Army, Mr Stuart Christopher Ford of Birmingham and Mr Gamil Naguib are also not authorised to conduct investment business, according to the Securities and Investments Board.

The Charities Commission requires trustees of charities to conduct investment business only through firms authorised under the Financial Services Act.

The Salvation Army, through its public relations advisers Lowe Bell, confirmed yesterday that an officer of its organisation has been suspended with pay pending the outcome of an internal investigation.

The Salvation Army has retained the accountancy firm of Coopers & Lybrand and City solicitors Slaughter and May to investigate the disappearance of the funds. It is believed a Mareva injunction – an order to freeze assets – is being sought in connection with the writ.

Last month the Salvation Army succeeded in obtaining an order to freeze assets held in Luxembourg. Assets of about $520,000 were frozen.

The Salvation Army has declined to give any details of how the alleged fraud occurred or even to specify the dates upon which it occurred.

The charity, which is the largest provider of social services after the government, last year had an income of almost £80m, of which £12m came from public donations.

It is the sixth largest UK charity – only the National Trust, Royal National Lifeboat Institution, Oxfam, Imperial Cancer Research Fund and Cancer Research Campaign are larger. In recent years it has expended its area of work into areas once the reserve of local authorities, such as day centres and help for the disabled.

Its income from private sources comes mainly from legacies, with the government providing more than £20m a year to help fund its social services projects, such as its work for the homeless and the young unemployed in Southwark, south London.

In has about 55,000 members in the UK, with about 1.5m worldwide.

The Salvation Army, which has an income of £80m, has retained the accountancy firm of Coopers & Lybrand and City solicitors Slaughter and May to investigate the alleged fraud

MAASTRICHT BILL

## Fresh doubts on treaty claims

By David Owen

FRESH DOUBT was last night cast over the government's claim that it could ratify the Maastricht treaty even if it was defeated on an opposition amendment seeking to include the social chapter in British legislation.

The doubts were raised at Westminster after Mr Paddy Ashdown, leader of the centrist Liberal Democrats, released a legal opinion "totally at variance" with the advice given by the government's law officers.

In an open letter to prime minister John Major, Mr Ashdown said the opinion by Mr Anthony Lester QC reached a "wholly different" conclusion from that given by law officers.

This raised questions related "not just to the Maastricht Bill, but to the quality of advice offered by the Attorney General," he said.

Mr Ashdown also followed Mr John Smith, the Labour leader, by calling for the publication of the apparently conflicting advice on the amendment given by the law officers and the Foreign Office.

Mr Major has yet to respond to Mr Smith's request, which followed the government's embarrassing U-turn in the Commons last Monday when it admitted its original advice that the amendment would wreck the treaty was mistaken.

According to Mr Ashdown, the new opinion highlights Section 6 of the European Assembly Elections Act 1978, saying it makes clear that Parliamentary approval is required for any treaty which extends the power of the European Parliament.

This is "clearly applicable to the Maastricht Treaty and its protocols," Mr Ashdown said.

The new opinion appears to confirm the government's view that it can ratify Maastricht even if defeated over the amendment. But it suggests that under such circumstances, the social protocol could not enter into force without an agreement by other EC states.

Separately, ministers have accepted they may have a problem if Labour's amendment is passed, in paying for administrative costs of the social chapter which could be due from Britain even thought it has opted out.

## Britain in brief

### Lloyd's faces big claims on US pollution

Lloyd's of London faces a big increase in possible claims from US pollution, further damaging prospects for the insurance market.

Lloyd's syndicates have already put aside more than £1bn to pay claims from US pollution and are likely to need to increase reserves following an estimated 30 per cent upsurge in claims notifications during 1992.

"It is a young problem but it is still growing," said Mr Alan Pollard, chief executive of Syndicate Underwriting Management, which handles claims on behalf of more than 80 syndicates which are no longer in business and about 17 per cent of all pollution claims at Lloyd's.

### Kodak factory for Merseyside

Kodak, the US-based photographic and office equipment supplier, is investing £16m in a new factory on Merseyside after deciding against sites in France and Germany.

The factory is expected to create 40 jobs in the area and will make toner, the fine black powder used to produce photocopied images, for customers throughout Europe. At present, Kodak manufactures toner in the US and ships it to Europe.

### New blow for housing market

Reports from estate agents of increasing activity in the housing market have been undermined by figures from building societies showing a fall in the number of people committing themselves to new mortgages. The value of net new commitments to society mortgages fell last month to £1.55bn from £1.89bn in December. The December figure was itself revised downwards from an earlier estimate of £1.99bn, which was taken as a sign of modest recovery.

### Paternoster plan cleared

One of the longest-running planning controversies in London approached an end yesterday when Mr Michael Howard, environment secretary, cleared the £800m redevelopment of Paternoster Square next to St Paul's Cathedral.

Mr Howard said he had decided not to call in planning applications to redevelop the area. Redevelopment had been in doubt because of the depressed property market.

His decision about a seven-acre site, of which Paternoster Square forms 4.2 acres, will allow the Corporation of London to proceed with granting planning permission.

### London Zoo to invest £21m

London Zoo yesterday announced a £21m investment programme designed to turn the 36-acre Regent's Park site into a world-class animal conservation and breeding centre.

Dr Jo Gipps, zoo director, said £2.5m had been raised and Mr Peter Brooke, national heritage secretary, welcomed the plan which does not seek government financial support.

### Analyst makes power bid

Mr Chris Rowland, an analyst with Barclays de Zoete Wedd, has acquired a reputation in the City for taking a bearish outlook on the electricity companies he follows. But there is nothing pessimistic about his view of his own prospects.

To the surprise of his fellow electricity-watchers, he has quit his lucrative job at the company where has worked for 10 years so that he can attempt to run parts of five power stations that National Power, the electricity generator, considers have had their day. National Power said although Mr Rowland had approached it through his company, Cabah Energy, his offer was not commercially attractive. "We will consider future bids on their merit," it said.

An export-led revival has failed to materialise, **writes Tony Jackson**

## Trade deficit hampers UK recovery

If John Major is looking to industry for an export-led recovery he could be disappointed, an FT study has found. In spite of recent efforts to promote exports, the trade gap in manufactured goods is likely to carry on widening.

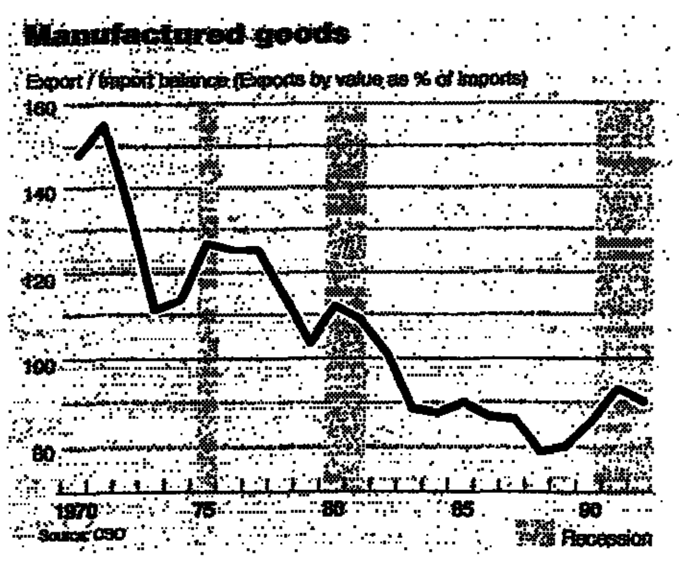
An FT survey of industrial sectors shows some sectors in deficit, such as motors and electricals, are reviving following overseas investment. However, the decline of other sectors may accelerate.

Britain went into deficit in manufacturing trade 10 years ago, and last year, in spite of the recession, the deficit widened. There is now a long list of products in deficit which were in surplus 20 years ago. Besides motors and electronics, sectors in deficit include textiles and furniture. Individual items range from nuts and bolts to bicycles and pianos.

It is not an easy problem to grapple with. Guinness recently announced rationalisation and job losses in the Scotch whisky industry. It is to spend £25m on new automatic bottling equipment, all from abroad. "It is virtually impossible to buy high-speed, sophisticated bottling equipment in the UK", Guinness said this week. "The technology is in the hands of the Germans".

The FT's findings show that even in sectors in surplus the pattern is mainly of decline. The most commonly cited example of British industrial success in world markets is


In a two-part series starting on Monday FT writers will look at the reasons for Britain's continuing trade gap in manufacturing




pharmaceuticals, which last year contributed a trade surplus of some £1.3bn. But in while 1970, exports of pharmaceuticals exceeded imports by a factor of four. By 1980 it was a factor of three, and last year exports were less than double imports.

There is a similar pattern in chemicals, which are also still in surplus. In the 1980s the industry cut back production of petrochemicals sharply, following heavy losses in the previous recession. As a result, it was unable to supply demand in the boom at the end of the decade .Import tonnage of PVC, a basic plastic used in the construction industry, trebled between 1980 and 1991 while export tonnage halved.

Nor is it likely that the devaluation of sterling since last September will help. In 1970, when manufactured imports were only two thirds the size of exports, sterling stood at an average DM8.74 and $2.40. Since then, devaluation and a declining trade balance have gone hand in hand.

The brightest spots in the picture are in motors, where massive Japanese investment is expected to plug the deficit by the mid-1990s, and in electronics, where Britain is benefiting from foreign investment in consumer electronics, semiconductors and personal computers. However, business location experts don't think the UK will continue to enjoy the lion's share of inward investment into Europe.

Mr David Rees, location specialist with Ernst & Young, said "I think Britain will continue to earn a high share of manufacturing projects relative to the size of its economy. But I do not believe it will retain its lead".

The reason he gives is low-cost competition from eastern Europe and greater efforts by other west European countries to attract investment. Investors are also starting to be deterred by Britain's hostile image to Europe.

Shell's new production platform is a milestone for the oil industry, writes Haig Simonian

# Moving into deeper waters

One of nature's less obvious amphibians has this week been inching its way into the blue waters of the Mediterranean off Taranto on Italy's south-eastern coast.

At almost 19,000 tonnes, the massive hull for Shell's new Auger production platform in the Gulf of Mexico represents a milestone for the offshore oil industry. As reserves in easily exploitable locations are gradually depleted, oil companies are searching for new sources in more hostile terrain, whether on land or ever deeper at sea.

The large rectangular structure, built by Italy's Belleli engineering group at its Taranto yard, comprises four 49m-high, twin-core steel towers, linked by a thick steel pontoon belt at the bottom and diagonal struts at the top. Like a giant upturned table, the 109m-long and 88m-wide hull forms the lower part of the new platform, which will stretch offshore oil production technology to unprecedented limits.

The completed platform, due to start producing oil early next year, will sit in 980m of water off the US coast. At that depth, it will beat by almost a third again the previous record depth for a platform, and could represent the first step towards a new generation of "super" oil platforms capable of operating at depths of up to 1,200m.

Working in such deep waters has obliged engineers to abandon previous platform technology in favour of new solutions to address the problem of how to create a structure which will be sufficiently tall, yet rigid enough to permit oil to be extracted successfully and safely.

The offshore business has until now been dominated by two designs: the familiar "jacket" – tapering latticeworks of special steels, akin to a modern Eiffel Tower, which are floated on barges to the production site and then carefully tipped over so their feet sink to the sea bed. More recently, large, heavy concrete platforms have been developed for the North Sea, particularly by the Norwegians.

Both designs are still perfectly valid for shallow-to-medium-depth operations, explains Umberto Pellegrini, Belleli's project manager for the Auger contract. But as oil companies have pushed ever deeper to sea, the two designs have been showing their limits.

A 900m-tall jacket would be prohibitively expensive owing to the amount of steel required, he says. At that height, it might also be insufficiently rigid. As for a concrete platform, its weight would make it wholly uneconomic, he says. "Tension leg platforms are the answer to the oil industry's need to work in ever deeper waters. They combine stability and size with relatively low weight and therefore lower cost, than conventional designs," he adds.

## Onshore fabrication will set the pace for the even bigger tension leg platforms of the future

The first TLP was developed about seven years ago for Conoco's Hutton field in the North Sea. Since then, two more have gone into operation in the Gulf of Mexico and the North Sea. However, the Auger platform marks the biggest and most expensive TLP to date. The hull alone cost around L200bn (£91m), while the deck, being built by McDermott, the big US engineering group, will cost as much again. On to that must be added the separate modules covering functions such as production and accommodation.

TLPs comprise a large floating metal hull – the upturned table – on top of which the deck and modules are mounted. Although seemingly the simplest part of the structure, the hull is in many ways the key to how a TLP works.

Because it floats, the hull requires no direct support from the seabed, representing an obvious saving in weight, and therefore cost. But in order to provide the necessary stability and rigidity, the TLP is attached to the ocean floor by 12 steel tendons – in reality 12-inch steel tubes bolted together in 100m-sections – which are put under tension to lock the platform in place. A pair of anchors, stretching up to 3km from each leg, provides further stability in the case of severe weather conditions, such as the hurricanes which can sweep the Gulf of Mexico.

The hull for Shell's Auger tension leg production platform is the first to be wholly assembled on land

The floating technology is deceptively simple, yet lies at the heart of the two key processes involved in preparing a TLP for use. Precisely controlled ballasting and de-ballasting is needed for the first step, due later this year, when the hull will be "mated" with the superstructure at sea.

As no floating cranes exist which are powerful enough to lift an object as heavy as the 20,000 tonnes of completed deck, the process will be carried out by sinking the hull instead. Once in position, pumps in the four columns will start bringing in enough sea water to lower the top of the hull to the water line. In the meantime, barges carrying the superstructure will move precisely into position over the submerged structure. By pumping out the water, the hull and superstructure will gradually rise, eventually reaching their desired operating height. Once there, the superstructure will be welded to the hull at five special anchor points topping the four columns. "It seems very simple, but it's actually very difficult, especially to avoid bumping," says Pellegrini.

Sophisticated ballasting techniques will also take centre stage when it comes to tensioning the cables linking the platform to the sea bed. The cables are put under tension by shedding ballast in the hull. Only once the platform is fully stable can oil start flowing through the 24 pipes, known as "risers", which link it with the wells on the ocean floor.

Although the Auger platform uses technology which has already been tested before, the depth at which it will operate means it represents a new challenge compared with its predecessors. Moreover, it is the first TLP to have its hull wholly assembled on land before being towed out to sea in one piece.

Belleli made three of the four giant legs on the previous TLP, built for the Snorre field in the Norwegian sector of the North Sea. But once fabricated, they were shipped to the main contractor, where they were then joined to the rest of the hull offshore.

Onshore fabrication will set the pace for the even bigger TLPs of the future, the company thinks. Among projects believed to be under preliminary consideration are new platforms for Shell in both the Gulf of Mexico and off the Philippines, and for French oil companies off the Congo.

The new TLPs may have to operate in waters of up to 1,450m deep, stretching existing techniques still further. If the orders come through, they will be a godsend to an industry currently suffering from the downward phase of an often highly cyclical business.

Low oil prices and worldwide recession, reducing demand for oil, mean new orders for rigs and platforms have become scarce. In Belleli's case, the almost simultaneous launching this month of the Auger hull and two big modules for other platforms will leave the Taranto yard without work.

With only about half a dozen companies probably capable of building the big TLPs of the future, Belleli's engineers are setting great store by the experience they have gained so far. No other European fabricator has won a similar order for the US market, which is still largely dominated by US manufacturers.

However, even TLP technology could be nearing its limits – at least until more experience is gained with the current generation of platforms in operation. Pellegrini says extending current techniques to produce TLPs capable of working in up to 1,500m is quite feasible.

The challenge lies in going deeper. "That will require new techniques for preparing the seabed templates to which the securing tendons are attached," he says. And even the most enthusiastic TLP engineers will want to see how their latest brainchilds, such as the Auger platform, perform at sea over a period of time before taking too big a leap further forwards.



## Worth Watching · Della Bradshaw

### In conversation with your video

Perhaps the most irritating thing about watching feature films which have been recorded on home video is the adverts which pop up at the most exciting part of the action. Now US viewers can skip the commercials by shouting "zap it".

The VCR voice programmer, developed by Voice Powered Technology, of Canoga Park, California, also enables viewers to switch their video on and off and program it simply by speaking commands.

The device, the size of an ordinary television remote control unit, can also be used instead of the conventional remote control to operate the television and cable box.

The company is planning to develop the gadget, which costs $169 (£119), for sale in Europe and the Far East. Voice Powered Technology: US, 818 407 5800.

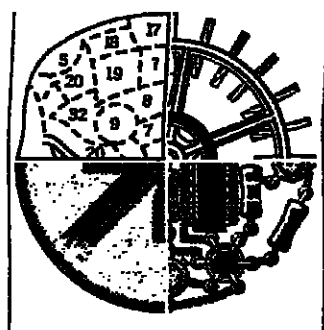
### Keeping up by satellite

For journalists tired of press conferences, or too busy or far away to attend them, Interactive Information Networks has come up with an answer, writes Andrew Fisher.

The US company offers a "front row seat" at news conferences of high-technology companies without anyone having to leave the office. Conferences can be broadcast live to newsrooms through IIN's packaged installation of a satellite-linked television, video recorder, and laser printer.

Those receiving the news – journalists can ask questions via the system – pay nothing. The broadcasting companies – including IBM, Apple and Lotus – pay $25,000 an hour, or $100,000 for five hours. Florida-based IIN is now introducing its service to Europe. IIN: US, 407 234 1111; France, 1 4887 7044.

### Algae play a powerful role



Algae burnt in power stations could provide cheaper energy than traditional fossil fuels.

Engineers at the University of the West of England, in Bristol, have cracked the problem of how to grow the chlorella algae cheaply enough to make power generation feasible – filtering them from ponds is uneconomical.

They have used a "Biocoil", a five-metre high vertical tube in which the algae circulates, harnessing sunlight for photosynthesis. Sewage has proven a particularly effective nutrient for the algae. The carbon dioxide produced when the algae are burnt is redirected to help new algae grow, preventing the emission of greenhouse gases.

The first power station could be in use within 18 months. University of the West of England: 0272 656 261.

● A novel fuel, which could reduce carbon dioxide emissions by 15 per cent, is now propelling buses in Canberra, Australia. Diesohol is a blend of diesel (84.5 per cent), hydrated ethanol (15 per cent) and emulsifier (0.5 per cent). The breakthrough, according to developers Apace Research, is the emulsifier, which helps the diesel and ethanol mix. Apace Research: Australia, 49 92 3033.

### New propellant flies high

Gunpowder, the essential ingredient in today's fireworks, could soon be replaced by a safer alternative.

Gunpowder is used as the lifting charge to propel the firework into the sky. Now researchers at the Cranfield Institute of Technology, working for Standard Fireworks, have developed an equally effective propellant which is bound with a polymer which makes it less sensitive – and therefore safer – and less expensive.

Cranfield's Alan Bailey has also developed an economical method of making the coloured "stars" that shoot out of roman candles based on memories of jelly babies being made in a sweet factory.

There the jelly was poured into a mould of cornflour, which formed the outer coating of the sweet. In the pyrotechnic version the cornflour is replaced by "igniter" material, which coats the metal pellets. Cranfield Institute of Technology: UK, 0793 7853220.

# French capital losses

## The Paris slump is hitting banks hard, writes Vanessa Houlder

Paris is facing up to one of its worst property collapses. Climbing vacancy rates and sharply falling values have created alarming difficulties for French banks and developers.

Large financial restructurings are under way. In January, Mr Christian Pellerin, a developer of large tracts of La Défense, the office complex just outside central Paris, was replaced as chairman of Lucia, a property company undergoing a FFr1.1bn (£130m) capital reconstruction. Also last month, Pierre Premier, a developer, was forced to cede four-fifths of its property portfolio to the banks after incurring heavy losses.

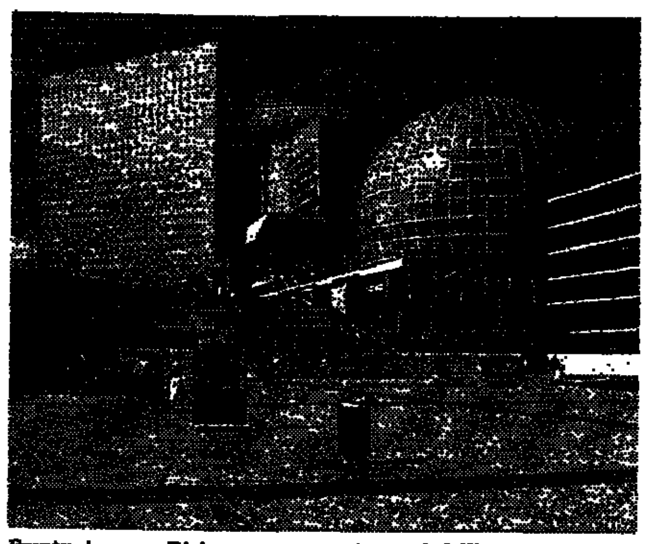
At the same time, the current round of results from banks are scarred by large bad loans to the property industry. Banks' total exposure to the industry is widely believed to exceed FFr400. Banque Paribas, which has just increased provisions to 15 per cent on its own FFr27.4bn property lending book, is not alone in facing up to heavy provisions. "Statistics show that provisions of 15 per cent may be necessary but this varies greatly from bank to bank depending on the particular nature of the underlying credits," says Mr Arnaud de Ménibus, executive vice-president of Banque Paribas.

Mr Robert Waterland, head of the Paris office of Jones Lang Wootton, chartered surveyors, believes the problem is far worse. He says the banks' write-downs will eventually exceed FFr100bn.

The banks' predicament stems from the speculative frenzy that gripped the property market in 1988-89 when banks encouraged the upward spiral of prices by lending large sums to speculators promoting ambitious schemes.

Many of the banks' heaviest losses have been on loans made to small traders, the so-called "*marchands de biens*". "The quality of the small traders' real estate is abysmal," says Mr Waterland.

Banks are also facing large losses on speculative ventures, notably in a handful of large developments in central Paris. These new schemes were conceived at a time when Paris had little vacant office space. The completion of a large



Empty towers: Rising vacancy rates and falling values have created alarming difficulties for banks and developers in Paris

quantity of new offices this year could push the office vacancy rate in the French capital close to 10 per cent. Banque Paribas believes that the stock of empty offices in Paris could reach 4m sq m by December; this volume would take four years to absorb on normal take-up rates.

The rising vacancy rate, together with the slowing economy, have pushed rents down by between 20 per cent and 30 per cent since mid-1991. At the same time, interest from buyers has evaporated, pushing estimates of prime yields up from less than 5 per cent to more than 6 per cent. As a result capital values have fallen by some 40 per cent.

**The banks' predicament stems from the speculative frenzy that gripped the market in 1988-89**

The Paris financial establishment is doing all it can to prevent a mood of crisis from developing. "French banks are not going to get into the situation of Anglo-Saxon countries ... There will be no Olympia & York here," said a spokesman for the Association of French Bankers last year.

In an effort to prevent bankruptcies and forced sales of property, the banks are refinancing ailing companies and, in some cases, taking possession of property themselves.

In the case of the stronger banks, such as Banque Paribas, the intention is to retain the property portfolios for several years before selling them, perhaps through a stock market flotation. In other instances, the banks are attempting to offload their repossessed property by selling it to companies which they have financed with low-interest loans.

Another form of support is from the cross-holdings between banks, insurance groups and property companies, which allow stronger parents to bail out overstretched lenders and developers.

None the less, mounting concern has prompted banks and insurance companies to appeal for government help. In December, Mr Michel Sapin, the French finance minister, responded by announcing the following:

- the relaxation of the *agrément* system, whereby tenants must obtain official authorisation for large office moves. This system, designed to encourage companies to relocate to the regions, curbed the take-up of space in Paris;
- the reinstatement of favourable tax treatment of finance leases, which may encourage owner-occupation;
- an extension to the four-year holiday on the 20 per cent transfer tax which is payable on property deals. This will ease the pressure on traders and banks needing to sell property in the short term.

"Too little, too late," was the the market's general reaction to these measures. "Positive and useful, but insufficient," said the AFB. The industry is continuing to pressure the government to do more.

Last week, Mr Camille Cabana, the deputy mayor of Paris, proposed a public fund to lend money cheaply to developers in return for mothballing their projects and preventing yet more new offices flooding onto the market.

But while the government may be prepared to help the construction industry and residential property market, it will be loathe to bail out speculators. The prospect of using public money to save the industry seems unlikely except in the event of a further sharp deterioration of conditions.

But for the moment that eventuality is remote. Despite the banks' bad loans, the problems are still far from jeopardising the financial system. Indeed, there is a body of opinion which insists that the gloom is exaggerated.

"The economy is the strongest in Europe, the market is undersupplied with decent products, tenants can move freely," says Mr David Robinson of Richard Ellis. "When there is an upturn in the economy, the market will move quickly."

Mr de Ménibus of Banque Paribas emphasises the underlying strengths of the market. "Even if we take a pessimistic view of the market. It is not like the US or UK. It is a quite different crisis," he says.

"Vacancy rates are much lower, prices have fallen to a sensible level, it is a well-organised market, the institutions have the muscle the keep the market at a reasonable level. The market can cope."



# Three new directors at Bank of England

Frances Heaton, the director general of the City of London's Panel on Takeovers and Mergers, yesterday became the first woman director of the Bank of England.

Two other non-executive directors were also appointed to the Bank's court: Sir Jeremy Morse, who retired earlier this month as chairman of Lloyds Bank, and Sir Chips Keswick, chairman of Hambros Bank.

Bank directors are appointed by the Queen on the recommendation of the Prime Minister's office. John Major has adopted a policy of appointing women to senior public posts wherever possible.

Heaton worked at the Treasury between 1970 and 1980, when she joined the merchant bank, Lazard Brothers. She was seconded to the Takeover Panel last year. "The thing I am particularly pleased about in being appointed a director is that it maintains a continuity between the Bank and the Treasury," she said yesterday.

One of the three retiring bank directors is Sir David Walker, the deputy chairman of Lloyds Bank and a former Treasury official. The others are Sir Brian Corby, chairman of the Prudential Corporation, and Lord Haslam, former chairman of British Steel.

The court of the Bank of England usually meets once a month on a Thursday. The non-executive directors serve as a sounding board for the Governor, but do not get involved in setting interest rates and monetary policy or

L to r: Morse, Keswick and Heaton

in the minutiae of bank supervision.

Heaton, 48, says that there could be a conflict between her Panel responsibilities and her new Bank role, if there were a takeover bid for a bank. In that case, she would concentrate on her role of adjudicating on the bid and absent herself from any Bank discussions of the takeover attempt.

Sir Jeremy Morse, 64, has had a long association with the Bank of England. For ten years from 1965 he was an executive director of the Bank, before joining Lloyds.

Both Sir Jeremy and Sir Chips both began their banking careers at Glyn Mills, now part of Royal Bank of Scotland.

# Whittaker retires from Inchcape

At 63, battle-scarred UK motor industry veteran Derek Whittaker has decided to step back from the front line at Inchcape, the international services and marketing group which has a range of motor distribution businesses worldwide.

Whittaker is retiring from the board, to which he was appointed in 1986 to oversee all Inchcape's motor business except its Toyota activities. But he will continue to advise Inchcape on motor trade matters, as befits an industry figure who has seen it all – including service with Ford and the former British Leyland in the thick of the UK industry's trench warfare of the 1960s and 1970s.

Whittaker who, as managing director of Leyland Cars, helped face down the toolmakers whose strike came close to polishing off British Leyland for good in the 1970s, is succeeded by another great industry survivor.

Reg Heath, who steered vehicle distribution group TKM back to health throughout the 1980s, both before and during its acquisition by New Zealand entrepreneur Sir Ron Brierley, is taking over all of Whittaker's responsibilities.

The ever-cheerful and widely-liked Heath has, however, been on the board since last March, following Inchcape's own takeover of TKM, which continues to sell around 50,000 cars a year through nearly 100 retail outlets.

For Heath, it's a long way from the dealer forecourts where he first saw service with TKM's dealer subsidiary, Wadham Kenning, back in 1958.

For Inchcape, it's another significant break with the past. Whittaker is leaving less than two years after the departure as Inchcape's chairman of his old British Leyland managing director associate, the late Sir George Turnbull.

# Sandy Russell promoted

Sandy Russell has been appointed a deputy chairman of Customs and Excise. The post, one of two deputies, is currently filled by Valerie Strachan who succeeds Sir Brian Unwin as chairman in March.

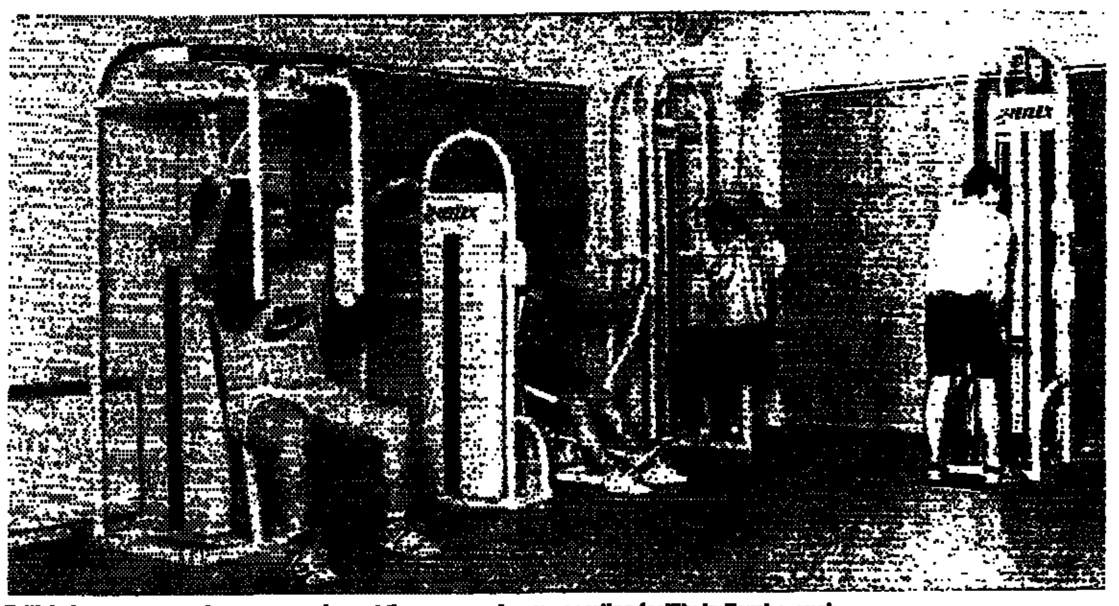
Russell, 54, joined customs eight years ago as director, organisation, before taking over as director, customs in 1990.

The directorship came at a time when customs was undergoing some of the most radical changes in its 322-year history to pave the way for the single European market. Russell was responsible for reforming the customs controls at ports and airports.

The work involved moving revenue-collecting posts inland and changing the role of investigation and detection from a barrier-like approach to that of an intelligence-led service. "It ought to be fairly evident that our whole concentration has been on major prohibitions rather than the odd bottle of hooch. Our effort isn't directed towards finding minor revenue evasion," he said of his task.

Before joining customs, Russell was responsible for pioneering the government's financial management initiative at the Management and Personnel Office and earlier had held senior posts in the Scottish Office. He will retain control of the customs group in addition to becoming director general internal taxation in his new position.

- **Ian Rae**, a director of COURTAULDS TEXTILES, died on February 17.
- **Neil Cannetty-Clarke** has been appointed finance director at LWT in succession to Peter McNally who retires next month.
- **Alan Woods** has been appointed operations director of Palmer Environmental Surveys, **Michael Greasley** production director of Standard Machinery, and **Antony Raine** sales director of Apollo Fire Detectors, all parts of HALMA.
- **Michael Jeanes**, formerly deputy chief executive, has been appointed chief executive of MIELE UK on the retirement of its founder, Karl Wedekind.
- **Alan Kay** has been appointed chief officer of the South East Co-op, part of the CWS.
- **Tony Farrington** has been promoted to the board of FOSTER WHEELER ENERGY as sales and marketing director.
- **Richard Morris** has been appointed safety director of EUROTUNNEL.
- **Wim Roselaar**, former director of distribution (Europe) for United Distillers, has joined BURN STEWART DISTILLERS, the independent Scotch whisky company which was floated on the UK stock market in 1991, as European sales and development director. While at UD Roselaar was responsible for implementing sales and distribution strategies for the European single market.



British Aerospace employees pump iron at the company's new sporting facility in Farnborough

# Office work-out

## Staff fitness is to be encouraged, writes Tim Dickson

The offer – a generous rent reduction in return for surrendering a small amount of office space – was too tempting to refuse. But as the head of the London-based services company who negotiated it explains, the deal with his landlord involved sacrificing an in-house gym.

"I can't remember any other issue on which our employees felt so strongly," he now admits. "It was only when we secured corporate membership of a nearby health club that the rebellion was finally quelled!"

The story is perhaps a salutary one for companies tempted to cut the size of their financial contributions to staff sporting, recreation and health facilities. Such perks are often justified on the grounds of improved employee motivation – but by the same token managements which take the benefits away risk a disgruntled workforce.

There is little evidence that head office accountants are seeking to prune their employee sports and health budgets (as distinct from sports sponsorship budgets). A poll of 10 randomly selected large British companies this week revealed that boardrooms are certainly seeking to get better value-for-money and better usage of corporate facilities – especially those lavish sports grounds for traditional team games owned by the big banks and oil companies. If anything, though, the trend towards encouraging staff fitness and providing "lifestyle consultation" packages seems to be growing.

Fitness for Industry, a London-based specialist consultancy 51 per cent owned by the Forte hotel group, says demand for its corporate fitness centres has seldom been greater. In the last six months FFI has opened five new in-house fitness centre projects, including one for the international oil group Conoco at Warwick and one for Vauxhall Motors at Luton.

Many companies are either reluctant, or unable, to disclose the overall cost of their employee sporting and fitness amenities. Exceptions include BT, whose annual sport and recreation budget is about £1.25m, and Prudential Assurance, which reckons it spends around £200,000-£300,000 in the London area. BT says its spending on employee sport and recreation has fallen in the wake of job cuts and general cost reductions; the Pru has stopped using a west London sports ground because of low attendances (due to staff concentrations elsewhere); while National Westminster Bank, which owns two vast sports grounds in south London, wants to make one of them more cost effective through non-staff membership and more extensive outside use.

Underlying different corporate strategies is the realisation that employee needs are changing. The leisure revolution has opened up numerous opportunities in the last few years for individuals to pursue their own interests, with the result that company regattas and sports days - with prizes presented by the chairman's wife - now seem anachronistic. Boardroom thinking increasingly reflects the view that a fit workforce is potentially more productive.

Such a philosophy is much more widely accepted in North America, where groups such as Du Pont and the Canadian Life Assurance company have reported reduced absenteeism and lower staff turnover in the wake of corporate fitness programmes.

Pacific Railroad found that 90 per cent of its workforce believed their exercise programme made them more productive.

FFI's marketing-manager David Parks believes that companies are moving from the position where they know the health and well-being of their workforce is important to doing something about it.

In part he attributes recent demand to industrial relocation projects planned in happier times which are being implemented as part of a corporate cost cutting exercise.

"A health centre is often an integral part of a relocation package", he says. Most of FFI's programmes incorporate a strong medical dimension; in Vauxhall's case Parks says the company found a latent demand for more health-related activity, as opposed to traditional social pursuits like darts and snooker. Team building and better internal communications are useful spin-offs from corporate fitness programmes, adds Parks. "There is nothing better for breaking down barriers than a director and a secretary working side by side on different pieces of equipment," he suggests.

## Linking sport with productivity

This month's emotional rugby victory by Wales over England seemed a good moment to test the thesis that national sporting triumphs give business a boost. The evidence from the principality is inconclusive.

The most authoritative word comes from Ken Jones, who played in the centre for Wales 14 times. Now he is managing director of Takiron at Caerphilly, the first Japanese company to arrive in Wales in 1972.

"Yes, a result such as the one with England gives a great boost, especially to morale. And a happy worker is usually a better worker than a disgruntled one. But industry is highly automated now and the ability of the worker to increase his own productivity independently is restricted. In a highly labour-intensive industry it is just possible there could be a surge of output. The reality, though, is that everyone feels better, it's a little easier to go to work, and to give more undivided attention to work while there."

Meirion Lewis, Welsh director of the Institute of Directors, said a good result gives an industrial lift. "In Wales, rugger permeates all levels of society. A win imparts confidence and if we can get the rugger right it provides a more optimistic outlook to the other things in life."

Byron Samuel, operations director for South Wales Electricity, is sceptical that the Cardiff Arms Park euphoria could translate into higher output. It was impossible to quantify what happened the following Monday and attribute it to the match, he said.

In Wales rugby has contributed to economic growth through its links with Japan, from where investment has poured into the country. Welsh rugby teams nurtured the game in Japan and made the name "Wales" known there.

Anthony Moreton

## Christopher Lorenz

# An affair which refuses to become a marriage

IN THE characteristically blunt words of Sir Alastair Morton, Eurotunnel's chief executive: "The British and the French have fought each other for a thousand years".

Their business and financial cultures are also virtual opposites. So it is not surprising that they find it hard to handle cross-Channel corporate marriages and joint ventures. All too often the two "partners" war constantly with each other until one side – usually the French – emerges victorious.

That may seem a caricature of a set of very complex relationships, but it is uncomfortably close to the truth. Witness two events this week: the long-awaited decision of Britain's MB-Caradon, successor to the old Metal Box company, to seek shareholders' authority to sell out of its packaging joint venture with Carnaud; and a frank speech by Sir Alastair, whose organisation is one of the few shining exceptions to the general rule.

Take Eurotunnel first. It has had to overcome a legion of differences between the French and British ways of doing business, Sir Alastair told a conference in London. These ranged from contrasting approaches to the control of capital expenditure, to an entirely different attitude to meetings. Whereas British managers attended them to thrash out decisions, he said, "the French go to find out what the boss has decided to do".

That Eurotunnel has bridged such gaps is due, above all, to the openness and trust which Sir Alastair and his opposite number established early in the venture. But his remarks were based on more than just personal experience. A long line of business school research studies, at both Limburg in the Netherlands and Insead near Paris, has put the UK and France at opposite poles on a whole range of cultural measurements.

In common with the Dutch, Swedes, Canadians and Americans, Britons feel relatively independent of their bosses, for instance. But the French do not. Likewise, the Anglo Saxons and North Europeans are much better than the French at tolerating uncertainty – including over their own position in a hierarchy.

Virtually the only similarity is in the degree of individualism, where the French score almost as highly as the British. But for the French this is associated closely with an individual's official, or "positional" power, points out Philippe Haspeslagh, an Insead professor who specialises in mergers and acquisitions. "In the UK an organisation is more a set of relationships in which you earn the right to manage."

That is only the start of this generally sorry saga.

Consider, next, the chequered history of takeovers and mergers.

**A long line of business school research studies has put the UK and France at opposite poles on a whole range of cultural measurements**

regardless of nationality. A spate of consultancy and academic studies suggests that the average success rate of all types of takeover is only around 40 per cent – and that includes the many straight acquisitions where one side is clearly in charge from the start.

Even where the partners to a merger or joint venture are in closely related activities and markets, problems frequently occur because they have very different corporate cultures and styles of operating. It was this discrepancy, at least as much as national differences, which caused many of CarnaudMetalbox's early internal problems.

The neutral German-American who was brought in to run the group in late 1991 said the Carnaud managers were used to a "naively decentralised" style, while Metal Box had leaned too far in the other direction.

Such problems can also be exacerbated when, from the very start, one partner sees its exit as a possible or even probable outcome. As Haspeslagh says, this is often the attitude of the UK side in a Franco-British venture.

Whereas the UK partner is frequently a public company, with a price at which its shareholders will ultimately sell almost any part of their business, the French side tends to be a holding company controlled by a family – and its supporting banks – for whom the enterprise is not an Anglo-Saxon dividend machine, but a method for leveraging industrial power.

The most notorious recent example of the Franco-British gulf in attitudes to investment and profitability was last year's fracas at the Arjo-Wiggins Appleton paper combine.

This involved a tangled web of issues, including the sacking of the British chief executive and the apparent ability of the French shareholder, with only a 39 per cent holding, to dominate the board.

With an attitude to the share price which was cavalier in Anglo Saxon terms, but prudent to the French, the result was a completely unexpected dividend cut which sent UK stockbrokers into apoplexy.

In stark contrast is the relatively sunny short history of GEC-Alsthom, a nominally equal partnership in power engineering. Here, the French now occupy the two top jobs and three of the top five. It would be facile to say that the French are completely dominant, but it must be doubtful whether the partnership will develop the ideal culture: one entirely of its own.

Some people claim this has occurred at the company's great Swedish-Swiss rival, ABB, although it actually feels far more Swedish than Swiss.

If a truly equal partnership is impossible even between such partners, what hope is there for the French and the British, whose forms of capitalism and culture are so very different? The lesson may be that, with occasional exceptions, the two cultures are better at having affairs than at staying married.

# ARTS

Steven Newell's 'Little Fox', 1991: blown, cased, sandblasted and polished

## Blown out of proportion

### Susan Moore looks at contemporary British glass

Like Pallas Athene, studio glass was born fully armed. It did not emerge out of a groundswell of independent glass-making activity but out of a workshop held at the University of Wisconsin in 1962. The aim was to see whether techniques could be developed that would enable an artist to work in glass in the intimacy of a studio. Within a decade, over 100 glass programmes had sprung up in the art schools of the US, and the implications for glass-making were being felt across Europe and Japan.

In 1965, Sam Herman arrived in Britain from Wisconsin and his teaching, first at Edinburgh and then at the Royal College of Art, inspired a new generation to take up the blow-pipe. Given that Britain had no real tradition of artists or designers working with glass manufacturers, as in Sweden, France, Italy and Czechoslavakia, the vigour of the studio glass movement in this country is all the more remarkable.

*Contemporary British Glass* at the Crafts Council surveys the achievements of the last 25 years. It is an eye-opening, but also a perplexing and disappointing show. Appropriately enough, it opens with Herman's "Green and Gold Bottle", a free-blown, organic-looking form that both illustrates the appeal of manipulating bubbles of molten glass and reveals why the majority of glass-makers here turned to more controlled "warm" or "cold" glass techniques.

There is a beguiling purity about the glass made in the 1970s. The American-born Steven Newell delights in contrasting transparency and opacity in his clean-cut translation of a Mannerist *Wunderkammer* object, a "horn" cup and cover; and formal and technical purity combine in Pauline Solven's sculptural "Three Reed Stems". This was an exciting period of technical innovation and experimentation in hand-blowing, engraving, enamelling, sand-blasting, cutting and casting. Virtuoso effects predominate, ranging from Peter Layton's exquisite mottling to Diana Hobson's paper-thin mosaics of textured *pâte-de-verre*.

After such refinement, the strident colour, heavy curves and triumphant scale of the 1980s comes as a rude shock. Vast, wobbly goldfish bowls of streaky colour and self-conscious conversation pieces such as Steven Proctor's pretentious "Momentum" now seem as dated as fluorescent globular lamps and squidgy PVC chairs.

One might have expected some sense of direction to emerge in the recent work, which accounts for half of the show. Interesting technical experiments continue, particularly in the combining of techniques and media. Pauline Solven, for instance, builds colourful patterned structures out of mould-blown units that are sawn, reassembled, sandblasted and etched – and are not so unlike some Elizabeth Fritsch ceramics. Keith Cummings and Anna Dickinson often combine glass with metal, Tatiana Best-Devereux glass with ceramic.

The problem here is that too few makers know what to do with their skill and ingenious effects. At one extreme are the intricate pieces that degenerate into over-fussiness, at the other are forms that simply do not know when, or why, they should end.

The quest for significant form has not, however, escaped the contemporary glass-maker. The modest group of black, African-inspired vessels on show by Anna Dickinson have a rare presence and quiet power. There is a similar assurance of handling in Steven Newell's boldly chased chargers.

What is striking about a lot of recent work is a new emphasis on content and allusion: glass can no longer look like glass but has to be manipulated and camouflaged to the point where it might be any other material. I cannot see the point of, say, David Reekie's lost-wax cast figures of men poking their heads out of windows; and what does one do with whimsies such as Diana Hobson's feather-tipped mixed-media "Rainbow Jester" other than invent some kind of Post Modernist whatnot on which to display them?

What the last 25 years have shown is that it has not been practicable for a glass artist to work in splendid isolation in his studio. Studio glass still has an extremely small market and, apart from Pauline Solven who has had her own studio since 1975, the most successful enterprises seem to be small co-operatives like Covent Garden's The Glasshouse, where commercial ranges offer an alternative to one-off pieces.

But this show has concentrated solely on one-off, domestic-scale pieces. Part II, which surveys the emergence of large-scale, sculptural and architectural glass, is scheduled for 1995.

**Contemporary British Glass continues at the Crafts Council, 44a Pentonville Road, Islington, London N1, until March 7**

Concert/**David Murray**

## Nagano's triumphant Mahler

Even 25 years ago, Mahler's Symphony no. 3 was heard only slightly more often than his Seventh – which is to say, hardly at all. Together they counted as his *symphonies maudites*, too "problematic" to earn regular performances. Then the Third began to enjoy the attention of a few mature Mahler conductors, with some memorable results – and therewith too of ambitious but less practised maestros, in whose hands the gigantic first movement could seem arbitrary and brutal, and the final Adagio sentimentally, intolerably drawn out.

Kent Nagano, who took the London Symphony through the work at the Barbican on Wednesday, cannot be all that practised. Many another youngish conductor with a reputation in contemporary music has reached back to Mahler by way of expanding his range, and thus his career, and has come a cropper. When Nagano offered a Mahler Ninth with the LSO a few years ago, however, it was a precocious triumph of musicianship, and plainly of respectful, assiduous attention to what the likes of Horenstein and Bruno Walter made of the score. This time he did no less with the Third.

And even more: for there is really no "definitive" reading of the Third, what with its patchy public history (and its exacting budget – large orchestra, women's and boys' choirs for just one movement and a strong alto soloist for two, unskimpably costly rehearsal-time). At the end of the day, a conductor of this work must sink or swim on the precision of his own musical instincts. Nagano's were faultless.

Later, no doubt, he will define a larger-scale impulse in the opening "Kräftig", and develop a finer chiaroscuro for the wry grandfathers'-dance "Tempo di menuetto". For now, he gave us far more than enough to be going on with. That cataclysmic initial movement had a barely leashed, tooth-and-claw power *and* an ironical feel for municipal-band sound, where many an international name (I forbear to name them) engineers a mere sequence of noisy assaults.

Nagano wound up the *Knaben Wunderhorn* scherzo to a wry height, and gave impeccably sensitive support to his alto – Birgit Remmert, a towering 27-year-old who may well be the leading Erda in Wagner's *Ring* for the next generation – in her Nietzsche soliloquy. The "Angels" movement found the LSO women's chorus brisk and clear, and the Southend Boys' Choir as boyishly apt as they always are in this work (a bit eerie, that, since in the nature of things their personnel must always be short-term members).

The Adagio reached a glorious apotheosis. Nagano paced it unerringly, from the first bated-breath melodies to their grand final dress. Each *subito pianissimo* in the flowing line clutched at one's heart; every new plateau was attained by cogent steps. For the first time in my concert experience, the grandiose, repetitive last pages were a mighty culmination instead of an over-insistent redundancy.

Ingeniously, Ute Lemper had been recruited to preface the lengthy symphony with a half-dozen Weill songs. She is a class act, supremely *schlank* and importunately appealing in her little black dress, very high heels and husky mezzo. Some of my colleagues object to the voice; I thought it served her material very well, and well in tune.

What Lemper lacks, simply, is music-theatre experience without the aid of a microphone – vocally character-building to an irreplaceable degree; and yet, so far as one could judge in the Barbican (where she may have had an unfamiliar mike), less sophistication in her address to it than many a straight pop-vocalist can boast. Her lively intelligence struck through nevertheless, and her performances struck home. It was a pity that her German texts in the programme-book were so badly proof-read and garbled.

Fringe theatre in London

## Out of the Ordinary

This new play, for only two people, is a comedy about a common paradox: a woman's need to be (a) dependent on (b) independent from a man. Less obviously, it also concerns a man's need to be (a) independent from (b) dependent on a woman. The breakdown of a relationship, and of both people's nervous systems, is just around the corner throughout. Meanwhile, the woman's nerves are in the foreground. She is irritable without him, is irritable with him; she can't work with him there, can't work without him; she can't go outside without him, can't go outside with him.

Not all of this is funny, or meant to be. And the play's skill lies in its ambiguity of viewpoint. Much of the time, the woman, Betty, is enough to drive anyone crazy, whereas her man, Brian, is a model of new-man patience.

Occasionally, though, you feel that her neurosis is a lot more interesting than his endless courtesy. You also start to feel that he is actually the more passive of the two; and that he needs her more than she him; even that his very reasonableness is a safe facade he dare not drop.

Certainly his petty lies and conventional euphemisms enrage her. He comes back from having an over-long drink with a friend who "sends his love," he pretends he hasn't been smoking, and then he asks about *her* evening. "The Chippendales popped round," she snaps. "They fucked me senseless . . . They send *their* love as well."

Her rudeness is out of all proportion – yet you sympathise. Or do you? She is terribly lifelike, and yet wholly absurd. She forever makes impossible demands of him: even "You don't pull down the barriers I put up for you."

An incidentally remarkable feature is that the same woman, Debbie Isitt, is the writer, director and actress. She plays Betty as a rapidly mumbling or whining Brummie who seldom gets out of pyjamas; Brian (Mark Kilmurry) is a more lucid speaker, a more natural communicator – altogether more wretchedly normal. He gets things done; she cannot even post a letter for him. She insists, however, that, for all her panicky incompetencies, she is capable: "I could handle anything if it actually happened. It's just the thought of it that I can't stand."

The scenario at first seems so thin, and so nearly maddening, that you think "This isn't enough for a play." Soon, however, the absurd claustrophobia of the relationship becomes so all-important that any sub-plot or extra characters would only weaken its fabric. Eventually, we see that there is a plot; that somehow the relationship has to change.

Betty isn't a little housewife; she is a modern woman with a career of her own as a critical writer. The play interleaves her relationship with Brian with her feminist scrutiny of the male/female relationships in Hitchcock films. Here is one element that is too thinly fleshed out; Brian's work life is another. *Out of the Ordinary* is only 90 minutes long, and one of the best things about it is the way it ends – not with a feminist bang but a male whimper.

**Alastair Macaulay**

**At the Theatre Upstairs, Royal Court**

Ballet/**Clement Crisp**

## The Firebird

*The Firebird* was the first masterpiece created for Diaghilev's enterprise. Based on a conflation of folk tales, it typified for the dazzled Paris audiences of 1910 an essential and irresistible "Russian" quality. The artful combination of magic, terror, an enchanted garden and a Tsar crowned before his people; the innovations of music and design; the splendour of Fokine's danced spectacle; made for rare theatrical excitement. And whatever the changes in taste over the years since then, *The Firebird* has retained it appeal: it speaks of a Holy Russia that has a powerful hold over our imaginations as a land of fantastic and mysterious legend.

The Royal Ballet's staging of *The Firebird* was made in 1954 by Diaghilev's régisseur, Serge Grigoriev, and his wife Lubov Tchernicheva. The production was scrupulous, and it was enhanced by the fact that Tamara Karsavina, the original Firebird, coached Fonteyn in her role. With Michael Somes as Ivan – judging exactly the character's naiveté and nobility – and with Svetlana Beriosova an exquisitely beautiful (and Russian) Tsarevna, we saw how our national company might restore some of the lost splendour of the Ballets Russes. (*Subsequent revivals of Les Noces, Les Biches* were further proof of this.)

The return of *Firebird* to the repertory last week was disappointing, a routine and unthinking revival. After four decades, the spirit of the piece seemed lost. There was no magic in Kastchey's garden at curtain rise: both lighting and set looked dingy. Company performances, with the exception of Fiona Chadwick's Firebird, were lifeless. Kastchey's horde had been rehearsed in "menace by numbers", and the group of Enchanted Princesses smirked relentlessly beneath their tangled locks.

That the ballet is not beyond redemption was proved on Wednesday night when Nina Ananiashvili made her debut as the Firebird. Despite an uninvolved production, Ananiashvili found in the choreography a central image which is the key to a role. Bolshoy training gave her reading a spaciousness of theatrical and dynamic effect, so that steps, phrases were burnished, glowed, and commanded the air. The bird's emotions – pride, fear, pleading, her power over evil - were found in the movement, and grandly presented to us. An essential nationalism in Fokine's choreography was clear as never before with the Royal Ballet, and a central truth about *Firebird* as an example of Russian art was re-affirmed. And, in poses of Ananiashvili's head, we can see a passing resemblance to photographs of Karsavina's dark-eyed beauty in this role. This was a true ballerina interpretation, of a kind the Royal Ballet no longer choses to show us.

It is good to report that Stuart Cassidy was a finely promising Ivan. He has the simplicity of manners that are right for this peasant-prince, and the proper aristocracy for the marriage-scene, culminating in the final raising of his hand – one of the most potent and most beautiful gestures in all ballet. Mr Cassidy did not cheat it of its force. Derek Rencher's Kastchey is a study in reptilian malevolence and devilish humour, and is perfect.

As a modish note, I record that the Opera House programme includes two full-page and unfathomable photographs of Viviana Durante, and, though the subject's head and face are obscured, gives credit for "hair" and "make-up". How fascinating. How rewarding as news. But what about her toothpaste?

**Nina Ananiashvili will be seen again at Covent Garden as The Firebird on March 16**

## John Osborne's 'Luther'

In a week of early 1960s London revivals, the one that stands out is John Osborne's *Luther* at the Hen and Chickens Theatre in Islington. Here is a very well-written, serious, intelligent piece that should not have neglected for so long.

The play was first performed at the Theatre Royal in Nottingham, then at the Royal Court in London, in 1961 when Osborne's reputation after *Look Back in Anger* and *The Entertainer* was at its height. Albert Finney played Luther. There was much discussion at the time of the apparent thesis that the dissident priest was influenced by trouble with his bowels: he was said to be an anal neurotic. Finney dominated the production.

Today *Luther* looks a gentler, wiser, more thoughtful play, more about society as a whole than one man's anger. Two thoroughly tenable propositions emerge. One is that by challenging the catholic church so savagely on its selling of indulgences, Luther set faction against faction in a way that benefited no-one. The other is that he was the founder of German power.

As Staupitz, the Vicar General of the Augustinian Order, remarks of Luther's resistance to the ways of Rome: "The world's changed. For one thing, you've made a thing called Germany; you've unlaced a language and taught it to the Germans, and the rest of the world will just have to get used to the sound of it . . . You've made the body of Europe . . . All I beg of you is not to be too violent."

There is no hostility in that comment, just an acceptance by Staupitz, played here as a genially wise old man by Patrick Godfrey, that Germany is on the way up and Italy is on the way down. Note, too, the use of the word "unlaced"; not "unleashed" or anything savage like that, just a gradual process of evolution from Latin to German. This is Osborne writing with precision language and a remarkable grasp of history.

Ben Walden's Luther is on the whole a sympathetic figure: not because he is a rebel whom everyone outside the catholic hierarchy knows is right, but because he evidently suffers from self-doubt. At the end he admits to Staupitz that he really was not sure whether his denunciations of the church were fully justified. True, he suffers from constipation, but this is not central to the interpretation of the character. Walden's performance gains by not trying to take over the play.

Some of the speeches are very long: there is very little of the customary Osborne knockabout. Yet here again is a tribute to his writing: he has mastered his material and there are fine distinctions of character both within the laity and the clergy. The one set-piece that might just remind you of *The Entertainer* is Tetzel, the Dominican Inquisitor cheerfully selling indulgences in the market square. The part is wonderfully played by David King.

The production comes from the Operating Theatre Company directed by John Link. It is now managing the Hen and Chickens Theatre. The next stage in a pub theatre like this must be to improve the physical conditions. Stifling enough for the audience, they must be almost unbearable for the actors – particularly those in *Luther* wearing heavy clerical robes.

**Malcolm Rutherford**

**Hen and Chickens, London N1 until March 13. (071) 704 2001**

## *INTERNATIONAL* ARTS GUIDE

**Michel Laclotte's farewell show as director of the Louvre in Paris is The Century of Titian: the golden age of painting in Venice (opening tomorrow, till May 31). It is a large exhibition, with 135 paintings and 140 drawings and engravings. Laclotte has chosen to examine how Giorgione and Titian defined Venetian painting throughout the 16th century, and insists it is a show about painting - not an *exhibition about* Venetian civilisation, of the sociologically oriented type now fashionable.**

**At the heart of the exhibition are eight of the 14 Titians in the Louvre's own collection, which *have recently been* freed of their dark varnishes and retouchings. These include Christ crowned with thorns, St Jerome, Woman at her toilet and The supper at Emmaus. After the controversy surrounding the Louvre's recent cleaning of Veronese's Wedding at Cana, the results *of the Titian* restorations are awaited with intense interest - not least by scholars eager to see how these hitherto heavily obscured works will measure up to the rest of Titian's oeuvre.**

**The exhibition opens with late Bellini and the early 16th century, followed by Giorgione and the young Titian, and a series of drawings newly attributed to Giorgione. There is a further section devoted to Titian in his maturity and his influence on Tintoretto, Veronese and Bassano. Other *groupings* focus on Veronese, Titian's later drawings and the tragic subjects of his final phase. Important loans have come from the Prado, the Metropolitan, the Hermitage, the Galleria Borghese in Rome and the National Galleries in Washington and London *among* others. There are a few major gaps, such as the Duke of Sutherland's Titians and some Giorgione paintings held back by museums in Dresden and Vienna. But Laclotte has managed to *assemble* all the half-figures by or attributed to Giorgione, and says that in his overall choice, he has simply aimed for the best.**

### *EXHIBITIONS GUIDE*

**AMSTERDAM**

**Van Gogh Museum** From Pissarro to Picasso: French colour etchings. Ends April 18. Daily

**Rijksmuseum** Art, Expertise and Trade: a behind-the-scenes view of the trend-setting early 20th century gallery of J H de Bois. Ends May 2. Also North Netherlandish Art 1580-1620. Ends March 7. Closed Mon

**BERLIN**

**Bauhaus Archiv** Henry van de Velde: retrospective of the Belgian painter, architect, designer and teacher, a key forerunner of the Bauhaus style. Ends April 18. Closed Tues (Museum für Gestaltung, Tiergarten)

**Alte Nationalgalerie** Art in Germany 1905-37. Ends April 11. Closed Mon and Tues

**BRUSSELS**

**Musées Royaux d'Art et d'Histoire** Splendour of the Sassanids: vases, icons, architectural decorations, *armour and metal objects* evoking the richness of civilisation in the near East before the onset of Islam. Ends April 25. Closed Mon

**FORT WORTH**

**Kimbell Art Museum** Bassano: an exhibition first mounted in Bassano del Grappa last year to celebrate the Italian artist's 400th anniversary, now enhanced by several major additions. Ends April 24

**GENEVA**

**Musée d'art et d'histoire** *Egyptian Blue: glazed* earthenware from ancient Egypt. Ends Sep 19. Closed Mon

**Petit Palais** Friedrich Karl Gotsch (1900-84): retrospective of the expressionist painter. Ends May 31. Closed Mon

**LIVERPOOL**

**Tate Gallery** Roy Lichtenstein (b1923): 30 works by one of the pioneers of Pop Art. Ends April 18. Closed Mon

**LONDON**

**Tate Gallery** Robert Ryman (b1930): a survey of the career of the American Minimalist noted for the white paintings he has been making for nearly 40 years. The exhibition consists of 81 canvases and other works of art, including little known paintings dating from before 1960. Ends April 25. Also Visualising Masculinities: the male body in art since the mid-19th century. Ends June 6. Turner's Final Years. Ends May 17. Daily

**Accademia Italiana** Ricardo Cinalli: large-scale pastel drawings on tissue paper. Ends March 14. Daily

**Hayward Gallery** The Changing Condition of Sculpture 1965-75. Ends March 14. Daily

**Royal Academy of Arts** The Great Age of British Watercolours 1750-1880. Ends April 11. Daily

**NEW YORK**

**Museum of Modern Art** The Drawings of Joseph Beuys (1921-86): retrospective of a central figure in postwar German art, whose radical social ideas, political goals and art forms have never had much appeal *for American taste. The* exhibition brings together 200 examples in a variety of mediums, including pencil, watercolour, oil and collage, and has as a centrepiece an installation of 100 blackboards created by the artist in 1974-7. Ends May 4. Closed Wed

**Brooklyn Museum** Leon Polk Smith: 27 paintings and works on paper spanning the 50-year career of the American pioneer of postwar abstract art. Closed Mon and Tues

**Metropolitan Museum of Art** Christopher Dresser: an album of drawings by the late 19th century British industrial designer. Ends April 4. Closed Mon

**Guggenheim Museum** Photography in Contemporary German Art. Ends May 9. The main museum is closed on Thurs, the SoHo site on Tues

**PARIS**

**Centre Georges Pompidou** Matisse: opening next Thurs, this is a re-shaping of last year's exhibition at the Museum of Modern Art in New York. It includes 130 oils and most of the sculpture from the years 1904-17, and celebrates the artist's new vision based on an explosion of colour in grandiose compositions, ranging from the Fauve period to his first stay in Nice. Ends June 21. Closed Tues

**Musée d'Orsay** 1893: The Europe of Painters. Opening next Wed, this exhibition brings together 100 paintings ranging from French Impressionists to English, Norwegian and Belgian *Symbolists and Italian* and Russian Realists. It illustrates the free flow of ideas between European countries a century before the 1993 opening of frontiers. Ends May 23. Closed Mon, late opening Thurs (quai Anatole France)

**Louvre** French 17th Century *Drawings: Vouet, Lebrun,* Poussin and Claude Lorrain are represented among the 160 works ranging from Mannerism to Realism, from Baroque vying with Classicism to the first signs of Rococo. Ends April 26 (Pavillon de Flore). Veronese's *The Marriage at Cana. Ends* March 29 (Salle des Fetes). French Painting and Graphic Art of the 18th and 19th Centuries (Cour Carrée 2nd floor). Closed Tues

**Musée d'Art Moderne de la Ville de Paris** Figures du Moderne: Expressionism in Germany 1905-14. Ends March 14. Closed Mon, late opening Wed (11 ave du President Wilson)

**ST PETERSBURG**

**Hermitage** The George Ortiz Collection: 280 antiquities spanning 30 cultures from the Neolithic age to the late Byzantine period. Ends April 11

**SPEYER**

**Historisches Museum der Pfalz** Medieval Life: 1000 everyday objects discovered during archaeological work over the past 30 years in Alsace. Ranging from the 6th to 18th century, they include ceramics, glass, weapons, sculpture and religious objects. Ends May 2. Also Robert Lebeck (b1926): 40 years of news *photography. Ends April 18.* Daily

**STOCKHOLM**

**Moderna Museet** Robert Mapplethorpe: black and white photographs, ranging from portraits to nudes and erotic scenes, by the controversial New York artist who died of Aids in *1989. Ends March 21.* Closed Mon

**VIENNA**

**Albertina** Albrecht Dürer : three of the great woodcut series by the German Renaissance engraver and illustrator - the Apocalypse, the Life of the Virgin *and the Passion. Ends April 25.* Daily

**Künstlerhaus** The World of the Maya: 300 exhibits which are intended to evoke the lost civilisation of the ancient central American people. Ends June 27. Daily

**KunstHaus** Andy Warhol: 100 silkscreen prints, paintings and pop art sculptures. Ends May 31. Daily

**ZURICH**

**Kunsthaus** From the Treasuries of Eurasia: 170 antiquities chosen from 15 museums in Russia and Ukraine by George Ortiz, whose own rich collection of antiquities is being shown in exchange in St Petersburg. The objects cover a wide range, from Greek vases, sculpture and bronzes, to Scythian gold and silver jewellery, Egyptian statues, Byzantine ivory panels and a magnificent winged human-faced sphinx with a lion's body. Ends May 2. Closed Mon

**Museum Rietberg** Fabrics from Egypt's Desert Sand: textile art from the 2nd century AD collected by Swiss jurist Maurice Bouvier, including well-preserved illustrated fabrics from the coptic and early Islamic periods. Ends May 23. Closed Mon (Haus *zum Kiel, Hirschengraben 20)*

# After the accident

## Jean-Luc Lagardère, chairman of Matra Hachette, talks to **David Buchan** and **David White**

Confident: Lagardère predicts tripling of net profit by 1996

On the face of it, Jean-Luc Lagardère has shown amazing powers of recovery.

In the 1980s he managed to steer a bumpy path as chairman of two French groups with illustrious names but very little else in common: Matra, thrusting missile, electronics and transport equipment manufacturer, and Hachette, venerable and far-flung publishing empire. Mr Lagardère stayed in the driving seat as Matra was part nationalised and then denationalised. His enthusiasm for adventurous new business always raised eyebrows.

Some of his initiatives, such as a foray into watchmaking, misfired. But those flops were nothing compared with what was in store in the early 1990s, "the big accident", as Mr Lagardère calls it – Hachette's investment in the La Cinq television station, which folded last year, leaving the publishing group with an exposure of FFr3.5bn (£440m).

He has since succeeded in recapitalising Hachette, merging the two groups, still under his chairmanship, into Matra Hachette, and recasting the holding company, which is the combined group's main shareholder, in a way that makes his own position virtually unassailable.

Mr Lagardère is still the dashing entrepreneur with the permanent tan, starry-eyed about new technology. He is an outsider to France's mainstream political and business establishment, drawn from more élitist *grandes écoles* than the Ecole Supérieure d'Electricité where he graduated as an engineer. Matra, a postwar creation, has always been a *parvenu* on the French industrial scene.

But Mr Lagardère is now 64. It is 30 years since he joined Matra as managing director. He talks of younger generations of managers, of the *"après moi"*.

Above all, he is chastened by the past year's experience. He has promised no more long-shot ventures. "I am not going to make 20-year investments. You have to have your return sooner." He confesses that for the first time in his life he is giving top priority to profit. Flanked by a high-powered "group executive and strategic committee", he is trying to rebuild his credibility in a financial world of which he is deeply suspicious.

He confidently predicts a tripling of Matra Hachette's net profit by 1996, from last year's FFr350m to FFr1bn – although that would still be less than 2 per cent of sales. By then, he says, if it makes no more big acquisitions, it will wipe out its debts of FFr3bn. The merger will bring "big reductions" in administrative staff in the group, which employs around 50,000. But, Mr Lagardère adds: "That is not something one boasts about."

To argue the logic of an industrial grouping ranging from airborne missiles to Elle magazine is something of an intellectual challenge. Defensively, Mr Lagardère cites the example of General Electric of the US, with its NBC television network. The activities of Matra and Hachette converge in the field of electronic media, a target for future investment. Both sides of the group serve a wide range of overseas markets. And people will take a company more seriously when it can show, as Matra Hachette does, annual sales of $10bn.

For Mr Lagardère's critics this is sophistry, an attempt to portray the merger as something other than a rescue, a way of drawing on Matra's cashflow to ease Hachette's debt burden.

The merger prevented the need for a fire sale; it enabled Mr Lagardère, as the French say, to save the furniture.

Despite the television fiasco, he says he would have been in a position last year to sell control of Hachette for seven or eight times the price he paid when he took it over in 1980. But Mr Lagardère is far too attached to his role as media mogul for that.

What the two sides of the group have in common are famous names. Its media interests range from Woman's Day magazine in the US to the Europe 1 radio station. Matra has always had prestige products, ranging from the Mistral, France's answer to the US Stinger portable missile, to automated metro systems.

For a time Matra also had a football club, Matra Racing de Paris, and in the 1960s and 1970s played a prominent part in Formula 1 racing, which Mr Lagardère says brought it "a fantastic image".

It was in television that Mr Lagardère finally overreached himself. In 1987 he lost to the Bouygues group in bidding to take over the TF1 station. The new channel, auctioned in 1990, was his last chance.

"La Cinq was an absolute booby-trap for us. The snare closed on me completely," Mr Lagardère says. He has no plans to return to television. "In my life I have made every kind of mistake. I never made the same mistake twice."

He wants to build on current activities where the group already holds a leadership position – including the Espace family vehicle which Matra makes for Renault. It has pooled its space activities with GEC-Marconi's and is looking for a European partnership in missiles. Arms, Matra's original business, may in a couple of years be overtaken in importance by urban rail systems, Mr Lagardère says.

His attachment to the idea of Matra Hachette's "nine professions" – missiles, space, cars, urban transport, telecommunications, books, newspapers, distribution and broadcasting – typifies what Anglo-Saxons often find a mystifyingly Latin approach. He bridles at the word conglomerate. He speaks of "the culture of the enterprise", of "development" rather than "growth".

The man who "more or less created" Matra has stamped his name on the holding company, now called Lagardère Groupe. His own shareholding in this company is only about 15 per cent. About another 30 per cent belongs to personal and business associates. But under the unusual structure of a limited equity partnership – *société en commandite par actions* – other shareholders delegate powers to him as general partner, appointed for six years. In return, Mr Lagardère assumes unlimited liability if things go wrong. He has put his money where his mouth is.

Mr Lagardère talks of making the business "unsinkable". He does not want it to die with him. "I would like my group to stay around for a long time."

Something he shares with his friend Lord Weinstock, managing director of GEC, apart from their joint space venture and their personal interest in racehorses, is having a son in his senior management team. What function the 31-year-old Mr Arnaud Lagardère will assume is still open, the chairman says, but "his role will be to guarantee the continuity of control of the group". Mr Lagardère *père* envisages stepping down. But not, he says, quite yet.

## Joe Rogaly

# Hooked on glory drug

The British government is cutting defence expenditure, expanding British military commitments, and doggedly refusing to ask the basic question behind this impossible equation. That question is: what is the proper role for a medium-sized nation shorn of its empire and much of its former economic strength?

You could argue that our contribution to the world's security should be enhanced. If so, the government should halt the present run-down in our military forces. Equally, you could say that a significant proportion of Britain's military spending is devoted to the massaging of national self-esteem, or, worse, to nostalgia. If that is the case, we spend too much now, and plan to cut too little in the future.

The conundrum seemed easier to think through when the Soviet threat existed. I remember a lunchtime meeting with the then Mrs Margaret Thatcher in her room at the House of Commons. It was, I think, 1976. Sir, now Lord, Keith Joseph was the other guest. As our hostess set about carving slices of ham the two of them set about public spending. Their knives swished through the air. Millions were chopped off this, that and the other departmental budget, until, quite quickly, the two founders of Thatcherism had saved a billion. In those days that was serious money. "What would you do with the billion?" I asked the then recently elected leader of the opposition. "Spend it on defence," she replied at once.

She did. She became prime minister three years later. In 1978-79 the armed forces' budget totalled £7.6 bn. By the time Lady Thatcher left office in 1990 that cash outlay had very nearly trebled. In real terms the figure rose by 28 per cent between Labour's last year and 1984-85. The inflation-adjusted amount has since been declining steadily from the peak achieved in the mid-1980s. By 1995-96 British spending on defence will be back to the equivalent in today's money of what was being laid out just before the Thatcher decade began.

This time, however, there is no overriding Soviet threat. Perhaps that explains why others are cutting their defence budgets faster than we are. In 1992 average military spending in Nato was 2.9 per cent of gross domestic product. The equivalent figure for the UK is expected to work out at 4.1 per cent. Even France, at 3.6 per cent in 1990, is less ambitious than that. Germany is planning to cut its defence force by about 40 per cent. Belgium and the Netherlands, also Nato allies, are contemplating halving theirs. Britain plans a cut of one-fifth. Against that our wholly professional army, like that of the US, is more expensive than many of the Continental forces, which depend on conscripts.

**Do we really need to keep support services around the portions of the world formerly coloured pink on the maps?**

Under President George Bush the US planned to reduce its outlay on national defence – down to 5.6 per cent of GDP in 1990 – by nearly 14 per cent between 1992 and 1996. The equivalent British reduction is 11 per cent. The additional cuts proposed by President Bill Clinton in his state of the union message on Wednesday will further increase the rate of shrinkage of spending by the Pentagon.

This is not to say that Britain is *necessarily* the profligate one. It depends upon what the money is for. The government's master plan is Options for Change, the name given to a review initiated in 1990. Lord Chalfont said in the Lords last week that when the results of this review were announced, "we were told that it was based upon fulfilling commitments to Allied Command Europe, the dependent territories, Northern Ireland, and the defence of the United Kingdom". Yet within months Britain was undertaking commitments in Yugoslavia and the Middle East "which were nothing to do with any of those four basic interests".

It is not clear to me why we maintain 46,000 troops in Germany, and will still have 23,000 when the current reduction process is completed in two years. Do we really need to keep 3,300 troops in Cyprus, let alone little support services around the portions of the world formerly coloured pink on the maps? While the government thinks we do, there may be something in the argument by the select committee on defence, in its report published 10 days ago, that given what is asked of it Britain's army is more than fully stretched.

The trouble is that the committee does not question those tasks. Nobody does. The defence secretary, Mr Malcolm Rifkind, did not do so in last year's statement on the defence estimates. The foreign secretary, Mr Douglas Hurd, failed to do so in his otherwise thoughtful speech at Chatham House a few weeks ago – the one that began, "British foreign policy exists to protect and promote British interests". Yes, but what is Britain's proper place in the world? Most of us can agree on the case for maintaining troops in Northern Ireland, the need to insure against direct attack upon ourselves, and the desirability of contributing to European defence forces, particularly through Nato.

The rest sometimes seems to be determined by what gets first place on the TV news. One minister has said, only half in jest, that "we are all human; we see an atrocity on the small screen and come into cabinet next day spouting that something must be done about it". Britain's role appears to be that of joint second policeman to Uncle Sam, with France in an equal position. This awkward squad is ever-poised to chase into every trouble-spot that manages to catch the popular eye. As Mr Hurd said, the UN knows of about 25 substantial conflicts going on now. "I suppose that world cameras cover 2 or 3 at a time," he added. This made it all very difficult. The foreign secretary has yet to state the government's criteria for choosing where, if anywhere, to send British troops.

The answer is, of course, gut feel, the product of a lethal mix. Start with ministers' sense of British history. Add a dollop of popular pressure. Pour in our pride in our nuclear power, our permanent membership of the United Nations Security Council and our prominence in most global organisations. Add a dash of undying allegiance to the US. Wash over with deep tribal memories of the days of empire, enhanced by dreams of a long string of past victories. It is such desires that Britain's Conservatives need to assuage, by means that Labour dares not thwart. Glory is an expensive drug. Britain is still hooked.

# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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## Arms sales: a sign of wider failure

*From Prof Alexander Kennaway.*

Sir, The request by Mr Kozyrev, Russia's foreign minister, to share western markets for arms sales ("Russia offers US arms sales deal", February 16) is a desperate attempt to earn foreign currency. The reason is the failure of the commercial and technical competence within the former USSR to identify what potential customers at home and abroad want, and how to design, make and service such goods.

The remark that such income will be used to covert Russia's military industries is also not new and is also pointless. I have worked in many defence factories in the former USSR over the past few years and can testify that, whatever is needed to convert them, it is *not* large sums of money to buy new equipment. They have a lot of adequate machine tools and up-to-date western and Japanese production equipment – much of it under-used, misused and some still in its original packing cases outside in the yards.

Soviets, from Lenin onward, have had the illusion that salvation lies in new "technology". They treat it like a toy, whereas the heart of the matter lies in the urgent need to change the mind set and improve radically their business and technical competence in order to perform competitively and, indeed, to supply their own hungry markets.

Conversion of the defence industries depends on that first; without it investment will be wasted as it always has been in the communist command economy.

Alexander Kennaway,
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## Top managers should show the way in radical rethink on pay

*From Mr William Wallace.*

Sir, Shares can go down as well as up, circulars from my bank and insurance company have warned me since the collapse of the 1987 financial "bubble". Can executive salaries do the same?

I have followed the debate in your columns on the troubles of the financial sector; the mistaken judgments which led to over-lending to property speculators and players of stock markets; the attempts to rebuild balances by increasing charges to customers; and the laying-off of junior staff. Entirely missing has been the question of whether the disproportionate increases in top salaries of the early 1980s, justified on grounds of the quality of judgment of senior executives, should be reversed.

I appreciate that a cut in remuneration for board members and general managers would contribute only a little to redressing the balance of bank reserves and profits. But such a signal that top management recognises its share of the responsibility for the evident errors of the last decade, and is prepared to share in the cuts and added burdens of the 1990s as fully as it shared in the added profits of the 1980s, would do much to rebuild the battered confidence of staff and customers. No such signal has yet been given.

There is a wider point at issue. If the British economy is to hold to low inflation – as bank economists exhort – attitudes to salaries throughout the economy have got to change radically.

No stronger signal could be given of the acceptance of radical change than a reversal of the continuing trend for top salaries to increase.

The Quaker families who laid the foundations for more than one of England's clearing banks understood the importance of gestures and symbols, and of demonstrating by the way they behaved the responsibilities they shouldered towards their fellow men. I fear that their descendants have lost sight of that sense of shared responsibility to the wider community. The impact on bank profits of a 10 to 20 per cent cut in board remuneration would be minimal. But think of the potential impact on the economy and on British society!

William Wallace,
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*London SW17 7RN*

## Tax cap at 75% would help those in benefits trap

*From Mr R A Ledingham.*

Sir, It is reported that the UK government is prepared to "think the unthinkable" to narrow the fiscal deficit. Might I suggest that it considers taxing the incomes of the poor at 75 per cent? This would in fact be a reduction on the present maximum effective marginal rate of tax of 97 per cent on the earnings of those people receiving benefits.

It would require no more than a new class of income, taxed at 75 per cent and ignored for all other fiscal purposes, including entitlement to means-tested benefits. Such a cap on the effective marginal tax rate is one of the few ways of guaranteeing a means of escape from the benefit trap.

If the rate at which we effectively tax the income of those aspiring to leave the benefit trap were reduced from the present maximum level of 97 per cent there would be some incentive for the acceptance of part-time, low wage or occasional employment. It would at least give benefit recipients greater control over their own lives in a way that cannot be achieved by workfare.

The reported direction of the present review of social spending appears to pose a severe danger of further expansion of the benefit trap. Enlarging it without improving the means of escape can be described as, at best, unthinking.

R A Ledingham,
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## Missing an HDTV trick

*From Dr Brian T Evans.*

Sir, Your article "Searching for a clearer picture of the future" (February 11) did not mention that Britain's high definition television ideas are probably the best in the world, though their implementation lags the US. Americans who read my evidence on digital television – presented to the UK home affairs committee in 1988 – saw an opportunity, invested in it and are now looking for the pay-off. UK broadcasters took less notice; the EC supported HD-MAC.

US digital television has taken a lead from the Japanese, who encourage fast-track development by a mix of inter-company competition and co-operation. In a few days we will find out which of the four remaining teams of US engineers have designed the best new HDTV system.

We should spare a thought for the original front-runner in this race, the Japanese, who have paid royalties to the US for their own use of the existing 40-year-old American colour TV system. Ten years ago they set aside public funds to develop a home-grown HDTV system to redress this balance. The Europeans did the same.

It would appear neither strategy has paid off because both camps have ignored newer ideas. Is public funding the common element that induces selective deafness in those whose creativity was once beyond reproach?

Brian T Evans,
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## A better beer

*From Mr Christoph Ull.*

Sir, With regard to your promotion "Enjoy Club Europe: two for the price of one – Vienna", I make this comment. The saying Gut, Besser, Goesser is not a typical saying of the Viennese. Goesser is a Styrian beer and Gut, Besser, Goesser is a slogan of the Steirerbraeu AG, a Styrian company, which produces and promotes Goesser Bier. As a Styrian I would like to invite you to Austria and taste the difference between the Styrian beer and the beer produced near Vienna – you will stay in Styria forever.

Christoph Ull,
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## Time for a ferry regulator

*From K D Shilleto.*

Sir, Last year I wrote to the Office of Fair Trading regarding the huge and unwarranted increase in Dover-Calais tariffs in 1992. For passenger vehicles it was more than 30 per cent when inflation was below 10 per cent. Stena and P&O fares were almost identical. I suggested that this joint increase could only be explained by the ferry companies' intention to raise passage costs progressively so that they would roughly match eventual Channel tunnel fees.

The OFT rejected my argument, positing that the ferries could only compete with the tunnel if they offered a substantial discount. This is naive. Nobody knows what the tunnel charge will be but ever-increasing construction costs must be reflected in the opening tariff. If Stena and P&O find they have misjudged tunnel tariffs, they can lower their own without pain and claim virtue. In the meantime, they seek further operational integration to buttress profits.

Who is to say that a duopoly does not already exist and that the tunnel authorities do not welcome progressively higher ferry charges to justify and underpin their own? Is it not time for a regulator – Ofship – and to gear up for an Oftun?

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FINANCIAL TIMES

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Friday February 19 1993

# Budget for the supply side

BRITAIN ISN'T working. Despite the rise in seasonally adjusted unemployment to just below 3m by mid-January, the Bank of England concluded in its Inflation Report out this week that the government's target range for inflation of 1 to 4 per cent is not secure. In any case, the question has never been whether a recession lasting nine quarters would lower inflation. The question is whether the UK can sustain non-inflationary growth. It is against this test that the Budget offered by the chancellor on March 16 needs to be judged.

What is needed is neither a Budget for business nor a Budget for jobs, but a Budget for the supply side as a whole. Such a Budget should not be designed to alleviate each and every business complaint. Nor can it be a Budget crammed with special incentives for supposedly worthy activities.

Macroeconomic stability should be at the heart of such a Budget. Instability leads to waste. The excessive investment in property development of the late 1980s was, for example, one fruit of the UK's long inflationary history. The government must offer a fiscal prospect that makes resort to inflation seem highly unlikely. Tax increases seem necessary. The sole alternative would be a dynamic recovery, combined with a credible programme of tight control of public spending. Either way the chancellor has no room for "giving" anything away. The only question is how much he will have to take.

## No chance for reform

In view of this dismal background, comprehensive fiscal reform would create too many losers. But the fiscal predicament of the government also means that most of the many and varied pet schemes of business lobbyists – relief of surplus advance corporation TAx, higher first-year capital allowances, faster depreciation, higher thresholds for corporation tax, exemption from taxes on long-term capital gains, tax relief for export promotion, higher VAT thresholds, lower uniform business rates and abolition of inheritance tax – are also unlikely to be adopted.

The lack of opportunity for reform is a pity, mostly because of the absence of any chance for coherent reform after the first year of a new parliament. The British tax system remains riddled with fundamental anomalies.

Notwithstanding the adverse background, a few changes may be helpful. Personal equity plans could be extended to include interest-bearing assets and Tessas might be made more flexible. For business, depreciation might be indexed for inflation, VAT thresholds might be raised and the high rate of tax of capital gains might be lowered or, better still, roll-over relief might be offered. Nonetheless, the room for manoeuvre is small. The Confederation of British Industry argues its proposals would cost only £500m to £1bn and would be self-financing in the long term. A Treasury faced with a need to borrow more than £50bn might regard this as petty cash, but even petty cash mounts swiftly up.

## Fiscal buttresses

On one point the Treasury should be firm. It is true that there is double taxation of corporate income earned abroad because ACT cannot be set against foreign corporation tax. But ACT is really just an income tax. It is far from clear that UK residents should not pay income tax on profits earned abroad by the companies they own. If the result is to lower the incentive for corporations to invest abroad, so be it.

In the last resort, however, tinkering with taxation is secondary. The government has taken the actions most needed by business, which were to lower interest rates and let the exchange rate depreciate. The principal function of this budget is, therefore, to provide the fiscal buttresses for these changes in monetary policy.

The fate of business depends not on further fiscal hand-outs, but on its will to control its own costs, the most important of which is for labour. With the underlying increase in average earnings down to 4¾ per cent, things are beginning to look encouraging at last. But control over pay must continue well into the recovery. The fate of businesses lies in its own hands and – given the long-term link between pay and jobs – so too does that of the 3m unemployed.

*This is the fourth of a series of leaders on the March Budget.*

# Mr Kohl faces the squeeze

THE ECONOMIC reconstruction of east Germany remains a severe problem – for Germany, its neighbours, and the world. The German government is still far from bringing about a self-sustaining recovery in the east. Reunification-induced inflationary pressures have caused the Bundesbank to keep short-term interest rates high since 1991, depressing economies across Europe. The terms on which east German liabilities were converted in 1990, coupled with east Germans' desire for west German incomes, have much increased public financing needs.

East Germany has become the hole in the heart of the European economy. Unless repaired, the damage will spread. A long European recession would deliver the *coup de grâce* to the Maastricht process. Additionally, it could fatally undermine the Community's single market. Already it seems unlikely that Germany will fulfil the fiscal conditions set at Maastricht for economic and monetary union later in the decade.

Germany's slowdown has made corrective policies more difficult, yet more necessary. The Bonn government expects zero growth for Germany as a whole this year. The country has been living beyond its means. It now ranks seventh in the EC in terms of GDP per head.

The 3 per cent wage rise agreed earlier this month for public sector employees shows some willingness to tighten belts. Many large west German manufacturing companies have been made uncompetitive by excessive wage rises and the D-Mark's EMS revaluation. It would be realistic for workers in the west to prepare for several years of real wage stagnation.

## Labour costs

East German unit labour costs are 80 per cent above the west German level. This has accelerated the industrial collapse east of the Elbe – a significant factor behind the demand for large transfers from Bonn. Solving the wage problem is an essential way of reducing the drain from east Germany on public finances.

Now that east German wage tariffs are 73 per cent of those in the west, any further catch-up can take place only over a long period. The preferable approach would be to offer east German employers a wage subsidy to maintain employment at relatively low wages. If east German workers insist on maintaining the drive to equalise wages by 1994-95, Bonn must make clear its response will be to cut subsidies for depressed eastern industries. Unless wage costs are cut, the Treuhand's difficulties with privatisation will grow.

## Budgetary cuts

Next, Bonn must extend its medium-term budgetary cuts. Expenditure reductions agreed so far do not match the need for radically overhauling spending priorities. Overall federal expenditure totals for 1995-96 are now 5 per cent higher than the finance ministry proposed last summer. And the government's budgetary arithmetic is based on highly optimistic assumptions about GDP growth after 1994.

The government must also tap additional revenue sources. Chancellor Helmut Kohl wants to delay further income tax increases until 1995. Holding back from a tax increase this year makes sense. Ruling one out for 1994 does not. The government should also take a far more imaginative line over privatisation.

None of these suggestions is easy to enact. Reunification strains have eroded traditional German policy consensus. So far, the Bundesbank's international credibility has allowed Germany to finance very large borrowing at relatively low long-term interest rates. But, unless Germany takes adequate measures, the financial markets will demand corrective steps. Debt of the size now being acquired by the public sector represents a heavy mortgage.

Action will require an accord with the opposition Social Democrats, who, because of their majority in the Bundesrat, have an effective veto over tax legislation. Mr Kohl has been making heavy weather of trying to spread the burdens of unity through negotiations on his "solidarity pact". He must now recognise that room for manoeuvre, already small, could soon disappear. If Germany's economic imbalances persist, the clouds over Mr Kohl's own future will grow. But they will be small compared with the risk of storms over Europe.

# President's search for the perfect wave

**Jurek Martin** examines Clinton's big political gamble

The most successful peacetime politicians catch the wave before it crests. Franklin Roosevelt and Ronald Reagan managed it at the beginning of their administrations, with very different policies at very different times. But it was an instinct not possessed by Jimmy Carter, whose declaration in 1977 of the "moral equivalent of war" on profligate energy use caught his nation in a pacifist mode, and George Bush, who, lacking "the vision thing", never saw what swamped him.

Bill Clinton, just one month in office, thinks he has seen the wave forming. Contrary to all the political evidence of the past 12 years, he is convinced that Americans are ready to reverse the self-indulgence of the 1980s by paying higher taxes in the greater cause of reducing the federal budget deficit and the national debt. He is also offering short-term stimulus, longer-term investment and bigger, if phased, cuts in spending than ever proposed by Mr Bush. But the headlines yesterday are all about where the average American's wallet is going to be hit.

It is a big gamble and a larger political presumption. Mr Bush lost last November in good measure because he promised never to raise taxes and two years later changed his mind. Across the country those politicians who have trodden the same path have generally suffered.

In New Jersey, a good national microcosm, the Democrats lost control of the legislature because of opposition to the tax increases advanced by Governor Jim Florio. Even Senator Bill Bradley, the most popular politician in the state, nearly lost to a nobody in 1990 because of his association with Mr Florio. Out in California, where the tax revolt was born in the 1970s, Mr Pete Wilson, the Republican governor and reasonable presidential aspirant, has seen his stock plummet as a result of his determination to put the state's fiscal house in order.

And yet last November, 62 per cent of the American public explicitly rejected the policies advanced by President Bush, which were that there was nothing chronically wrong with the nation that a naturally recovering economy, still lower taxes and a few gimmicks such as a balanced budget amendment could not cure.

In last year's campaign, Ross Perot, free of standard political constraints, had no compunction in demanding sacrifices by all, including higher taxes and more expensive energy. Mr Clinton, in pursuit of victory, may have fudged on the tax front but he talked tough on the budget. Both put forward cases for change on a serious scale.

Conventional political wisdom is that politicians rarely practise in office what they preach in campaigns. Thus the dictum of Russell Long, the former senator from Louisiana – "don't tax you, don't tax me, tax that fellow, behind the tree" – was for Washington a safe recourse. The reflex political criticism is that Mr Clinton, in taking it out of "you and me", has bought himself big trouble.

But political reflexes, even from Republicans, may be questioned in this strange era where public opinion is so influential but so subject to persuasion and manipulation. Knowing this, and sensibly trying to co-opt Mr Perot in advance, the Clinton team is giving his programme the hard sell in every corner of the country.

Like any good populist pitch, this campaign will have its villains. Borrowing again from Mr Reagan, who blamed his predecessor at every turn, Mr Clinton will constantly disparage Mr Bush's "failed" policies. He will copy Mr Perot and portray a Washington stuffed with high-paid lobbyists, all conspiring to preserve the status quo known as gridlock. He will conveniently forget that some of the most effective of them represent America's least affluent.

Just as 10 years ago Mr Reagan seduced the "boll weevil" southern Democrats, so Mr Clinton will target key Republicans, because, if he cannot hold all his own party in line, he may need them. There are a fistful of senior moderate senators – John Chafee, William Cohen, James Jeffords, John Danforth, Nancy Kassebaum, Richard Lugar, even Robert Dole – who do not necessarily dance to the music of Newt Gingrich, Jesse Helms and the rest of the conservative band. These moderates prefer to influence policy rather than denounce it and they just might cut some deals, especially on deficit reduction.

But it will be hard. Neither Washington nor the country at large has yet measured Mr Clinton's resolution. Some suspect he talks a better game – and on Wednesday he was very fine – than he plays and can fold under pressure. There are so many parts to his programme that he could well lose a couple of battles early and suddenly lose control of the war. The reverse may also be true. He is not only making waves, he may just have caught the big one.

# Seismic shock to the economic landscape

## Public investment and a heavier tax burden are the keynotes of the package, writes **Michael Prowse**


As an impassioned plea for a fundamental change in the nation's economic philosophy, President Bill Clinton's address to Congress may prove to be of historic significance. He argued, in effect, that Republican strategies emphasising increased incentives for individuals had failed and that the nation needed to follow a social democratic path, involving a greater emphasis on public investment and a fairer distribution of the tax burden.

Mr Clinton bucked recent fiscal trends by becoming the first leader of an advanced democracy to propose a big increase in the top rate of income tax – from 31 per cent to nearly 40 per cent for the richest families. Adding in state and local taxes, top earners will face an effective top rate of about 50 per cent. Most industrial countries have been striving to reduce top marginal rates in a bid to improve economic efficiency.

Although Mr Clinton deliberately targeted the rich, he raised taxes on the great bulk of American households – all families with incomes of more than $30,000 a year – thus breaking one of his main campaign pledges. However, because a significant proportion of the taxes will be used to increase public investment in infrastructure and education and training, Mr Clinton was not able to signal a wholly convincing reduction in the federal deficit.

By fiscal 1997, some five years into a business cycle upswing, Mr Clinton hopes to have reduced the deficit to slightly more than $200bn, compared with nearly $300bn today. However, that still represents 2.7 per cent of gross domestic product, a significant drain on national savings at a point in the cycle when the budget ought to be close to balance, if not in surplus. Moreover, in all probability Congress will not accept all the proposed spending cuts and tax increases.

And, as Mr Clinton rightly stressed, any hope of controlling the deficit in the longer term requires the enactment of effective controls on healthcare spending – a controversial issue on which a national consensus is as yet far from assured.

The economic plan reflects two of Mr Clinton's deepest convictions:

● A public sector-led switch from consumption to investment is essential to revive long-term productivity growth and restore faith in the "American dream".

● Social solidarity is important for its own sake. Mr Clinton is telling affluent Americans that it is their duty to pay more taxes. He probably would have raised taxes on the rich even if he had not needed more revenue.

Yet recent economic figures are throwing doubt on the assumptions underlying the Clinton plan, which was conceived largely as a response to the perceived economic problems of the 1980s. Hearing his "call to economic arms", you might think the economy was still floundering in recession. In reality, the downturn ended nearly two years ago and the underlying annual rate of growth has accelerated to about 3 per cent. Business investment and profits are rebounding strongly.

**Mr Clinton believes a switch from consumption to investment is essential**

Jobs are admittedly not being created as fast as in previous recoveries. But the labour force is growing far less rapidly, reflecting the absorption of the "baby-boomer" bulge in the workforce. The unemployment rate has already fallen to 7.1 per cent from a peak of 7.7 per cent last year.

Productivity growth – the number one problem according to Mr Clinton – seems to be staging a spontaneous revival. Productivity increased by 2.7 per cent last year and at an annual rate of 4.0 per cent in the fourth quarter. These were the best figures for two decades. Efficiency gains are occurring throughout the economy, even in the sprawling services sector.

Against this economic backdrop, the Clinton plan looks flawed. With the economic numbers improving, it is hard to understand why Mr Clinton is determined to press ahead with a short-term fiscal stimulus worth $30bn, or about 0.5 per cent of GDP. Such a Keynesian boost to an already debt-laden economy was no part of his campaign strategy.

When the aim is supposedly the creation of 500,000 jobs over two years, the emphasis on investment incentives – a temporary credit for large companies and a permanent credit for small companies – may prove unwise. There is a danger that additional subsidies for capital, at time when rapidly rising healthcare premiums are raising the cost of labour, will accelerate the shift under way towards more capital-intensive forms of production.

It is also curious, and perhaps unprecedented, for an administration to call simultaneously for stimulus and restraint. The attack on the deficit is long overdue but it means that Mr Clinton will be taking purchasing power out of the econmy as his presidency progresses: he plans to raise taxes by about $240bn over four years and make net spending cuts (after allowing for the boost to public investment) of about $80bn. It seems naive to expect consumers and companies to react joyously to the immediate stimulus without taking account, today, of the "austerity package" planned for later.

The net effect of the package could thus be mildly deflationary, even allowing for some further decline in long bond yields. The risk of a negative impact on growth has been heightened by Mr Clinton's disregard for economic incentives. He had to cut the deficit but he did not have to rely so heavily on increases in taxes. And having targeted taxes, he could have tried to broaden the tax base rather than raise tax rates.

The energy tax was a modest step in the right direction but it will raise only $22bn a year when fully phased in. It is no substitute for a European-style value-added tax which could efficiently have raised a far larger sum. This would have corrected the biggest anomaly in the US tax system (the near complete absence of levies on consumption), while inflicting no damage on incentives to save or invest. Mr Clinton instead emphasised higher rates of income and corporate taxes, only partially balanced by special concessions such as investment tax credits. In effect this is a repeal of the admired 1986 Tax Reform Act, which sought to create a "level fiscal playing field" by eliminating loopholes and lowering tax rates

Mr Clinton may argue that considerations of fairness obliged him to raise top rates of income and corporation taxes. This was certainly the easiest course. But he could have preserved economic incentives by attacking the tax concessions that favour the wealthy: for example, the tax deductibility of pensions, health premiums and mortgage interest costs about $150bn annually in lost revenue, which is nearly twice as much as Mr Clinton hopes to raise when his rate increases are fully phased in.

Mr Clinton has been preaching the need for higher public investment, a lower deficit and a fairer tax system from the day he announced his bid for the presidency. All three goals are a legitimate reaction to the "excesses" of the 1980s and, if achieved, will bring US policies more into line with those of other industrial democracies. Whether his package will boost growth or transform the employment outlook is altogether more questionable.

Nobody can claim that Mr Clinton lacks courage, however. He is attempting the most sweeping reshaping of the economic landscape since Ronald Reagan's famous tax-cutting budget of 1981. The difference is that he sees government as part of the solution rather than as part of the problem.

# OBSERVER

## Bangemann bangs on

■ "The truth is rarely pure, and never simple." Few things are more aptly depicted by Oscar Wilde's dictum than the attitudes to Britain of Germany's Martin Bangemann, the European Community commissioner for industry.

For one example, take the charge that he is a would-be banner of British bangers, not to mention prawn-flavoured crisps. It is false. Take for another the complaint about his insensitive delivery of strongly worded federalist speeches during the UK parliamentary seethings over Maastricht. That is true.

But whatever the complications, he is evidently not going to change his bruising bluntness where British sensibilities are concerned.

Witness the fluent English-speaker's response when politely asked during a press conference to favour UK television viewers with an English version of his comments on the impact of the EC's rescue package for the steel industry. No, he replied, he had already dealt with the topic in German.

There seems no hope of stinging him with criticism, such as the sort that emerged from a survey of 2,000 European industrialists, half of them from Britain. A majority named him, along with Jacques Delors, as the EC commissioners most biased in favour of their own narrow national interests.

How did Bangemann respond? He thumbed through his favourite Oscar Wilde quotations, and took solace in: "To disagree with three-fourths of the British public on all points is one of the first elements of sanity – one of the deepest consolations in all moments of spiritual doubt."

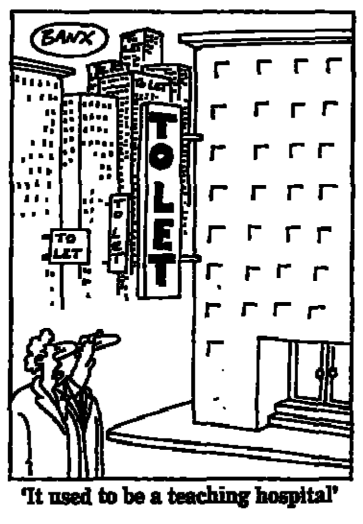
## Same again

■ It's hard to quibble about the calibre of the Bank of England's latest clutch of non-executive directors. Sir Jeremy Morse, recently retired chairman of Lloyds Bank, is one of Britain's best bankers. Hambros' Sir Chips Keswick is regarded as very sound.

How refreshing, too, to find a woman at last on the Court of the Bank of England, although Frances Heaton's appointment suggests that life at the Takeover Panel can't be all that busy at the moment.

Even so, the appointments do look a trifle incestuous. Morse and Keswick both learnt their trade at the same place – Glyn Mills & Co. Sir David Walker, one of the outgoing Bank directors, has joined the board of Morse's old firm Lloyds, and is expected to take his old job after a decent interval. Moreover, Walker is an old Treasury hand and so is Frances Heaton.

Perhaps the government could have cast the net a bit wider. The Bank would benefit from a greater variety of opinions. The problem with the latest bunch is that there's probably nothing whatsoever they disagree about.




'It used to be a teaching hospital'

## Cheers

■ Are you fat, addicted to rich food, averse to exercise, and perhaps even a smoker? If so, the medical journal Lancet has some useful advice for you... unless you happen to be French as well, and so probably know it already.

First, never let your low-density lipoprotein become oxidised because, in that case, it will get busy helping to build up layers of fat that could block your arteries.

Second, according to US and Israeli researchers, the perilous oxidisation can be forestalled by taking in phenolic flavonoids, which act as anti-oxidants.

Third – which the researchers suspect the French, at least, somehow know instinctively – a pleasant way of absorbing phenolic flavonoids is to drink a modicum of red wine. The goodness is not in the alcohol, however, but in its other ingredients.

## Muffled move

■ The decision to change chairman by Kleinwort Benson has been so discreet as to camouflage the boardroom upheaval that has occurred at the old established merchant bank which has lost its momentum.

David Peake, a member of the family and a banker, is handing over to Lord Rockley, a few months older and a corporate finance man. Peake, who at 58 has been doing the job for a mere four years, stays on the board.

Considering that it was only last year that another corporate finance man in the shape of 51-year-old Simon Robertson was promoted to be Peake's deputy, he would have seemed the natural successor to a casual outsider.

But merchant banks are more collegiate than most outfits, and it seems to have been felt that an Old Etonian city gent like Lord Rockley, a vice-chairman, was the best bet to command the trust and confidence of the troops. But will he take the tough strategic decisions needed to restore Kleinwort to former glory?

Somehow, one suspects not.

## Pay off

■ Every penny's now under scrutiny at Control Securities, what with newly revealed negative net assets of £31.8m as well as debts exceeding £250m. So the property company may well be regretting a certain £5,000 outlay in its last financial year.

The money was donated to the election fund of Labour MP Keith Vaz who has championed the cause of depositors of collapsed bank BCCI. And who can forget that on the last day of Control's 1992 financial year its then chairman Nazmu Virani was arrested in connection with the BCCI affair?

But at least Control was fairly even-handed. It gave £1,750 to the Liberal Democrat party too.

## Forbidden fruit

■ A prison governor in Hungary bit off more than he could chew when he helped himself to a sample from a bunch of bananas sent to an inmate by relatives. The one he chose had a file hidden inside it.

FINANCIAL TIMES
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## Entire output of some Ruhr products may end

# Krupp Stahl poised to close two steel plants

By Quentin Peel in Bonn

KRUPP STAHL, one of the best known names in the German steel industry, is poised to shut down its entire output of some steel products, with the loss of 4,000 jobs in the heart of the Ruhr industrial region. Two of its plants face closure.

The announcement came as thousands of steelworkers demonstrated against imminent job losses throughout the industry.

Mr Günter Rexrodt, the economics minister, held crisis talks with steel industry leaders to agree a common strategy for next week's meeting of EC industry ministers in Brussels. That meeting is meant to decide on a Community-wide plan to reduce steel capacity.

The talks showed clear differences between Mr Rexrodt and the industry on how far imports of cheap steel from eastern Europe should be restricted to protect the west European industry during the restructuring process.

Krupp Stahl said that only last-minute developments in talks with rival steel producers, including Thyssen and Saarstahl, could prevent a decision to close its steel plants in Siegen and Hagen being taken at the end of March.

"We are standing on the brink of closure there if there are no new developments in the very near future," Mr Gerhard Cromme, chairman of the Fried. Krupp group and the newly merged Hoesch-Krupp combination, told demonstrating steelworkers outside the Hoesch Stahl headquarters in Dortmund, where an emergency board meeting was also under way.

Krupp Stahl, which provides

Europe's other steel industry reels ....................Page 2
Editorial Comment ...Page 13

almost half the turnover of the Fried. Krupp group, said the management had concluded that the only solution to the latest downturn in the steel market was to give up its manufacture of steel sections such as pipes and girders, which totalled almost 550,000 tonnes in 1991.

The company produces 3.6m tonnes of flat steel products which would not be affected.

The parent group has said it will decide whether to close an integrated steel plant belonging to Hoesch Stahl in either Dortmund or Duisburg-Rheinhausen in the next two weeks, as the company seeks drastically to reduce its steel-making capacity.

The company said last night that the decision would be taken as soon as the production and sales figures for February were known.

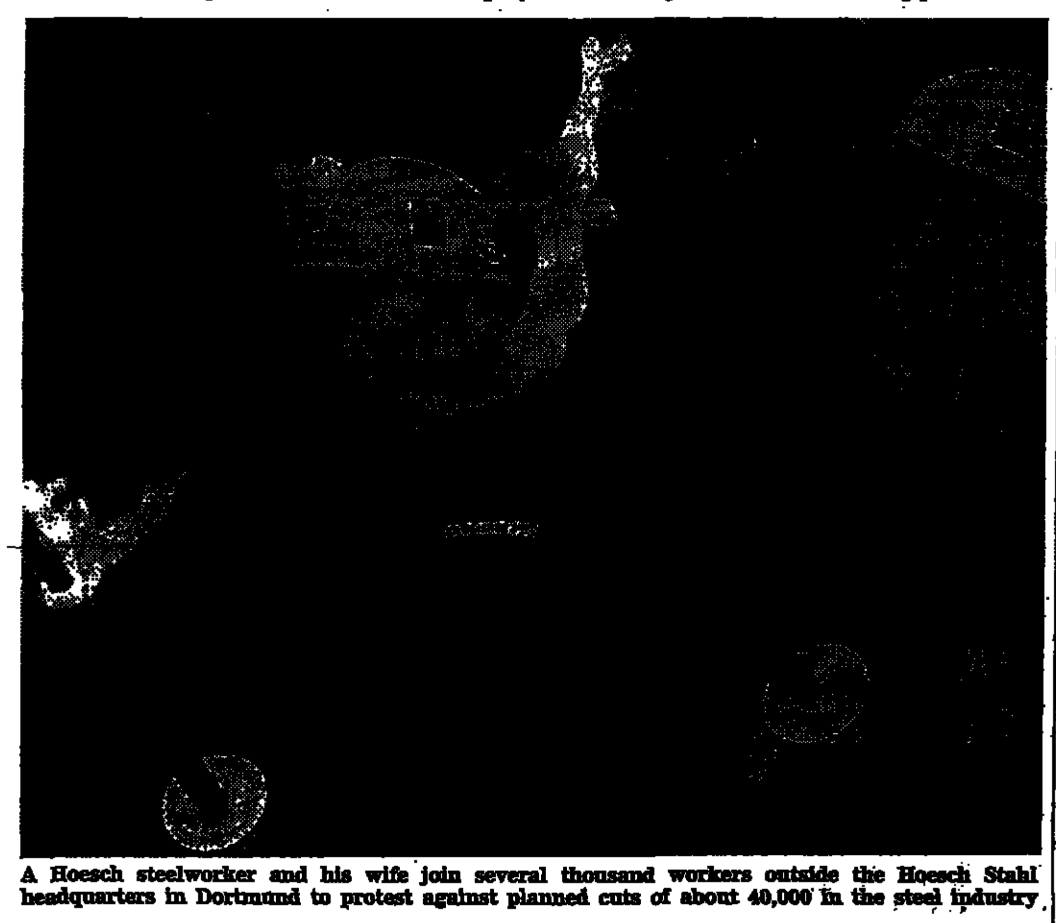
The Krupp statement said final calculations on the viability of its output of steel sections products, all of which are high-quality special steels, had not been made. It was possible that some residual activities could be kept going during the closure process. The co-operation talks with Thyssen and Saarstahl might also offer some relief.

An emergency meeting of the company's supervisory board has been summoned on March 31 to make the decision.

As many as 40,000 steelworkers and coal miners joined demonstrations in Dortmund and Rheinhausen on Wednesday night, and thousands more were on the streets again yesterday in Dortmund, Siegen and Hagen, protesting at the imminent closures.

It is estimated the restructuring may cost 30,000 steel jobs in west Germany and another 10,000 in the east.

Mr Ruprecht Vondran, president of the German steel industry federation, estimates that between 25,000 and 30,000 jobs will have to go in the west German industry, and another 10,000 in east Germany, as part of the latest restructuring process.



A Hoesch steelworker and his wife join several thousand workers outside the Hoesch Stahl headquarters in Dortmund to protest against planned cuts of about 40,000 in the steel industry

# Brussels says EC to follow US on HDTV standard

By Andrew Hill in Brussels

EUROPE will have to fall in line with the US on a transmission standard for digital high-definition television, the EC industry commissioner has said.

Mr Martin Bangemann said there was no point in starting a new global battle over advanced television standards by trying to set an exclusive EC standard.

His comments mark the end of the Community's costly standards-based HDTV strategy, and could mean that the US technology, which should be selected later this year, will be adopted worldwide.

Mr Bangemann, who took over responsibility for HDTV last month, says the EC should now concentrate on salvaging the best elements of its ill-fated eight-year programme to develop advanced, cinema-quality television.

"A digital standard doesn't need to be set [by the EC]," he told the Financial Times. "Global standards are always the best solution."

EC taxpayers have invested at least Ecu625m ($737m) in research and development of analogue HDTV since 1986.

Companies such as Philips of the Netherlands and Thomson of France have also ploughed funds into developing the EC standards, and are ready to mass-produce televisions to those norms.

The original aim of setting exclusive technical standards for

Observer ....................Page 13

European HDTV was to gain a head start against competition from Japan and the US.

But technological advances and political opposition have meant that Community satellite transmission technology has now been almost overtaken by US digital standards.

Mr Bangemann believes digital technology could be developed by 1997.

Unlike EC analogue technology, digital standards can be used for broadcasts by terrestrial television stations.

Britain is blocking further EC funding of Ecu500m over the next five years, on the grounds that digital technology may arrive on the market earlier than originally predicted.

As a result, Philips announced last month it would not start manufacturing HDTV televisions to European standards.

However, if the EC does adopt the US standard, the two principal EC manufacturers will not necessarily lose because they are both heavily involved in one of the five consortia bidding to produce the US technology.

Philips and Thomson also argue that the European HDTV programme has had useful spin-offs, including many which will help them produce digital advanced television.

Japan, which has itself has concentrated on analogue HDTV technology, may also be forced to adopt the US digital norms. Analysts estimate digital HDTV in Japan and Europe will lag about five years behind the US.

Mr Bangemann is now seeking to amend the Commission's original plans to concentrate on the development of lighter, cheaper wide-screen televisions, and the conversion and production of programmes for broadcast in the wide-screen format.

The Commission has asked the Danish presidency of the EC for a special meeting of EC telecommunications ministers to debate the future of Community HDTV policy, ahead of the scheduled council on May 10.

## THE LEX COLUMN

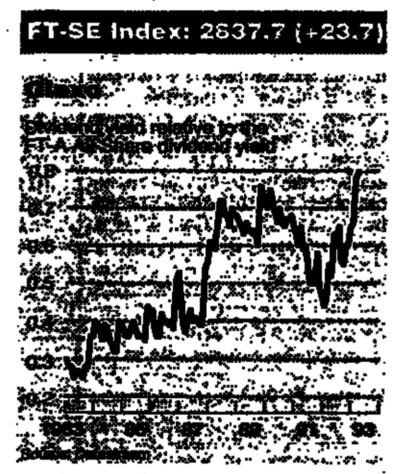
# Glaxo's trusty tonic

Yesterday's interim figures were just what the doctor ordered for Glaxo's sickly share price. Sales grew faster than the market expected, albeit thanks to the old stager Zantac rather than the new generation products. An overdue explanation of the company's sensible but modest ambitions in over-the-counter medicines should snuff out speculation of a big acquisition and rights issue. But that will do nothing to calm the market's fears of tighter government regulation.

Despite ploughing ever more into research and development, Glaxo is accumulating cash at the rate of £200m a year. In the context of total profits of perhaps £1.7bn this year, the drag of a £1.5bn cash pile is bearable. But sales are expected to grow faster than costs from here on. Operating margins which are already over 30 per cent will, if anything, increase. Glaxo will soon have to decide whether to pay higher dividends or make an acquisition. Embarrassment of riches may leave it open to pressure.

With a stream of innovative new products on the way, Glaxo should be better placed than most to withstand government brow-beating. Only a fraction of sales growth in the first half came from price increases. Yet that does not make Glaxo immune. Drug prices are actually falling in Japan. On a yield close to the market average, Glaxo looks a relatively safe place to ride out the uncertainty. But the sector will remain under a cloud until the scope of President Clinton's crusade against healthcare costs is clear.

FT-SE Index: 2637.7 (+23.7)



## SE Banken

Sweden's banking crisis is getting steadily deeper and more protracted. Investors were primed for bad news from SE Banken as regards last year's results, less so for its announcement that it would incur further significant losses in both 1993 and 1994.

The government thus had little option but to come up with an immediate promise of help. SE Banken is already struggling to meet its BIS capital requirements. Two more years of losses could leave it with very little net worth at all. That thought alone could have prompted a run on deposits had not the government effectively agreed to underwrite the bank's survival.

Still, a practical solution will not be easy. The government might take over SE Banken's now separate division which houses its bad loans and seek private sector contributions to recapitalise the remainder. But the present climate is not exactly tempting to private money. The authorities may have to acquire the entire bank, gradually selling its more profitable activities, such as corporate banking.

Either way, existing shareholders face a bleak outlook. The government, too, will have to wait years to recover an outlay which, given its deficit, it can ill afford. It does not help that the economic background will be weak. Bankers who have had their fingers burned will be reluctant to extend credit just as the government is shrinking the public sector. Further cuts in short-term interest rates may be a necessary part of the cure.

## Kingfisher/Darty

There are two starkly different interpretations of Kingfisher's takeover of Darty. The first suggests it is taking a wild punt in paying £560m for a French service sector company currently toying with recession. The dangers are heightened by Kingfisher assuming a further £477m of debt, writing off £900m of goodwill, and increasing gearing to 66 per cent even after a £313m rights issue.

The alternative view is that Kingfisher is acquiring a well-managed business with market leadership and considerable scope for expansion. Darty's strong income stream will quickly enhance Kingfisher's earnings. The price is attractive at just 16 times Darty's forward earnings.

Which version is right depends on one largely unpredictable factor: how well the two managements co-operate. The history of recent Anglo-French mergers is poor. In this case, there are genuine grounds for optimism. First, Darty's management has a firm financial interest in success, having been paid mainly with Kingfisher paper. Second, Kingfisher is a flexible parent more akin to a holding company than a traditional retailer, though this approach also implies less immediate synergy benefit for Comet than the market originally assumed. Third, the deal's architect is Sir Geoffrey Mulcahy who has proved the near-personification of caution. His record should win him the benefit of the doubt.

## UK economy

The government's unseemly haste in cutting base rates after the release of December's appalling unemployment figures now looks misplaced. Traditional seasonal adjustments may have been rendered invalid by the length of the recession. As a result, December's figures may not have been as bad as they looked, while only cold comfort can be drawn from the better January data. The trend rise in unemployment is still running at over 40,000 a month, far higher than at a similar stage of previous recessions. The implications for consumer confidence are clear.

There is, however, a silver lining. Productivity is now climbing rapidly and may show double-digit growth once cyclical recovery starts. In manufacturing industry, at least, that has all but offset wage inflation, which should help counter the impact of devaluation. Yet if the near-term inflation outlook is good, that is purely a function of the depressed economy. The real inflation test comes later.

## RTZ

RTZ was clearly anxious to get its hands on Nerco's attractive US coal reserves. The $1.2bn acquisition also includes a disparate package of oil, gas and precious metals assets for which a buyer will have to be found. That leaves a degree of risk. Gearing of around 60 per cent is not unreasonable at this stage of the cycle, but it would do to make some in-roads into debt through disposals before making another move.

If that can be achieved, RTZ looks sensible to add coal to its portfolio of commodities. The low-cost and low-sulphur coal bought yesterday should be less vulnerable to environmental legislation. With 60 per cent of the output sold under long-term contracts, there is also some security of earnings.

# UK unemployment hits 3m for first time in 6 years

By Peter Marsh, Philip Stephens and Peter Norman in London

THE PROSPECT of UK tax increases in next month's Budget appeared to harden yesterday after an hour-long cabinet discussion of the economic outlook was accompanied by news that headline unemployment last month pushed above 3m for the first time in six years.

With little hope in the UK government of any falls in unemployment until the mid-1990s, Mr Norman Lamont, the chancellor, left ministerial colleagues in no doubt that tax increases to cut the government's deficit were a real possibility in the March 16 Budget.

The suggestion that the government should "bite the bullet" on raising taxes sooner rather than later also appeared to be winning support among Tory MPs. The extension of value added tax to domestic fuel and heating as part of a number of "green" taxes is considered a front-runner.

Hopes of economic recovery

Jobless above 3m ......Page 7
Editorial Comment ...Page 13
Lex ...............................Page 14

received a modest boost from news that seasonally adjusted bank and building society lending increased by an unexpectedly strong £4.1bn ($5.8bn) in January after falling by £74m in December.

Both the Bank of England and the British Bankers' Association suggested that January's lending figure could have been inflated by companies borrowing to pay corporation tax bills.

The headline figure of people unemployed and claiming benefit in January rose to 3.06m, while on a seasonally adjusted basis the figure was lower at 2.99m.

The seasonally adjusted rise in unemployment between December and January was a lower-than-expected 22,100, the smallest monthly increase since June. But Downing Street officials acknowledged there was little prospect that the figure would turn down for two or three years.

Mrs Gillian Shephard, the UK employment secretary, indicated that a new package of measures to take tens of thousands off the unemployment register would be ready by Budget day.

Mr John Major, the UK prime minister, appeared distinctly unsettled, as Mr John Smith, the Labour party leader, accused Mr Major of creating a "social tragedy" and "economic madness".

# Yeltsin asks the Russian people to back his reforms

Continued from Page 1

support at a time when indifference, even disgust, with politics is running high and when his own popularity ratings have slipped to their lowest level since his election to the presidency less than two years ago.

Mr Mikhail Poltaranin, head of the Federal Information Centre and a close presidential aide, yesterday described parliament as merely "the sum of local interests" with no ability to "save Russia from dismemberment".

Mr Poltaranin said that a referendum on the constitution – scheduled for April – was the last attempt to resolve the struggle for power peacefully.

Mr Yeltsin and Mr Khasbulatov have agreed that a presidential-parliamentary commission must find a formula for a division of powers by the end of the month. It will be put to the Congress of Peoples' Deputies next month.

## World Weather

| | | °C | °F |
|---|---|---|---|
| Ajaccio | S | 14 | 57 |
| Algiers | R | 16 | 60 |
| Amsterdam | C | 7 | 45 |
| Athens | F | 8 | 46 |
| Bahrain | S | 17 | 63 |
| Bangkok | F | 32 | 90 |
| Barcelona | S | 15 | 59 |
| Beijing | S | 9 | 48 |
| Beirut | S | 10 | 50 |
| Belfast | C | 7 | 45 |
| Belgrade | S | 1 | 34 |
| Berlin | C | 4 | 39 |
| Biarritz | C | 10 | 50 |
| Bombay | F | 28 | 82 |
| Bordeaux | C | 10 | 50 |
| Boulogne | C | 9 | 48 |
| Brussels | C | 7 | 45 |
| Budapest | S | 5 | 41 |
| Buenos Aires | R | 29 | 84 |
| Cairo | S | 20 | 68 |
| Cape Town | S | 29 | 84 |
| Caracas | F | 28 | 82 |
| Casablanca † | S | 19 | 66 |
| Chicago † | S | -18 | 0 |
| Cologne | C | 6 | 43 |
| Copenhagen | C | 4 | 39 |
| Corfu | S | 11 | 52 |
| Dallas † | C | -4 | 25 |
| Dublin | C | 8 | 46 |
| Dubrovnik | F | 12 | 54 |
| Edinburgh | C | 9 | 48 |
| Faro | S | 16 | 61 |
| Florence | S | 10 | 50 |
| Frankfurt | C | 6 | 43 |
| Geneva | C | 5 | 41 |
| Gibraltar | F | 15 | 59 |
| Glasgow | R | 7 | 45 |
| Helsinki | S | -3 | 27 |
| Hong Kong | S | 18 | 64 |
| Innsbruck | S | 5 | 41 |
| Inverness | F | 6 | 43 |
| Islamabad | F | 20 | 68 |
| Istanbul | S | 4 | 39 |
| Jakarta | R | 32 | 90 |
| Johannesburg | F | 21 | 70 |
| Lisbon | S | 13 | 55 |
| London | C | 9 | 48 |
| Los Angeles † | F | 16 | 61 |
| Luxembourg | C | 5 | 41 |
| Madeira | C | 17 | 63 |
| Madrid | S | 12 | 54 |
| Majorca | F | 15 | 59 |
| Malaga | S | 16 | 61 |
| Malta | F | 13 | 55 |
| Manila | F | 33 | 92 |
| Melbourne | S | 24 | 75 |
| Mexico City | F | 26 | 79 |
| Miami † | C | 21 | 70 |
| Milan | S | 9 | 48 |
| Montreal † | S | -21 | -6 |
| Moscow | Sn | -8 | 18 |
| Munich | C | 2 | 36 |
| Nairobi | | – | – |
| Naples | F | 10 | 50 |
| Nassau | F | 27 | 80 |
| New Delhi | S | 24 | 75 |
| New York † | F | -3 | 27 |
| Nice | S | 13 | 55 |
| Nicosia | S | 15 | 59 |
| Oporto | S | 15 | 59 |
| Oslo | F | 0 | 32 |
| Paris | C | 7 | 45 |
| Prague | C | 2 | 36 |
| Reykjavik | S | 1 | 34 |
| Rhodes | F | 12 | 54 |
| Rio de Janeiro | C | 35 | 104 |
| Rome | S | 14 | 57 |
| Salzburg | C | 4 | 39 |
| S'Francisco † | F | 12 | 54 |
| Seoul | S | 6 | 43 |
| Singapore | F | 31 | 88 |
| Stockholm | C | 1 | 34 |
| Strasbourg | F | 7 | 45 |
| Sydney | F | 21 | 70 |
| Taipei | F | 25 | 77 |
| Tangier | S | 17 | 63 |
| Tel Aviv | F | 17 | 63 |
| Tenerife | S | 21 | 70 |
| Tokyo | C | 14 | 57 |
| Toronto † | S | -15 | 5 |
| Tunis | F | 13 | 55 |
| Valencia | S | 15 | 59 |
| Venice | S | 5 | 41 |
| Vienna | F | 6 | 43 |
| Warsaw | F | 2 | 36 |
| Washington † | C | -3 | 27 |
| Zurich | S | 4 | 39 |

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder



مكتبة الأصل

FINANCIAL TIMES
# COMPANIES & MARKETS
Friday February 19 1993



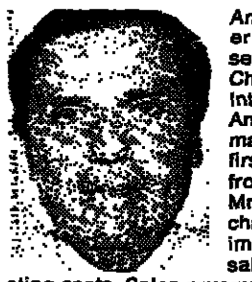


## INSIDE

### Gehe in pan-Europe takeover move

Gehe, the Stuttgart-based drugs wholesaler, announced a FFr800 ($144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique. The merger would create the largest European pharmaceuticals distribution business, with sales of around DM14bn ($8.5bn). The deal would ease access to other markets in the European Community and eastern Europe. Page 16

### Navistar cuts loss to $5m



An increase in deliveries of trucks and diesel engines helped Chicago-based Navistar International, North America's largest truck manufacturer, trim its first-quarter loss to $5m from a $32m last time. Mr James Cotting (left), chairman, attributed the improvement to higher sales and reduced operating costs. Sales revenue at the the company, formerly known as International Harvester, rose by 15 per cent to $1.03bn. Page 17

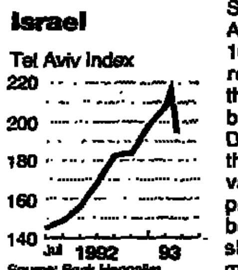
### Kleinwort Benson up 66%

Pre-tax profits at Kleinwort Benson, the UK merchant bank, recovered sharply in 1992 – up 66 per cent to £46.3m ($65.7m) – mainly because of a drop in bad debt provisions from £39m to £7m. Page 20

### Wall Street

The US securities industry is confident this year will prove as profitable as 1992, when every record in the book fell before the Wall Street earnings juggernaut. But the main equity indices have stumbled, barely a week after soaring to record highs. And the heavy selling could prove a problem for securities firms if it presages a significant correction in equity prices. Page 18

### Tel Aviv drops on allegations




Shares fell heavily in Tel Aviv, the latest lurch in a 10-day slide as investors reacted to allegations that Israeli banks have been stoking the market. Depressed by worries that equities were overvalued the 100 index plunged 5 per cent before regaining slightly. Remarks by former High Court judge, Mr Moshe Beijsky, on Wednesday had raised the spectre of a disastrous 1983 share collapse. Back Page

### Rubber fails to bounce back

When trading in natural rubber became computerised on the Singapore commodity exchange last year, producers hoped prices might finally lift. But they remain low and a bitter argument rages between producing and consuming nations over support for the industry. Producers gripe that the pricing system is weighted in favour of tyre companies. Page 30

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| FRANKFURT (DM) | | | |
|---|---|---|---|
| **Rises** | | | |
| Altana | 569 | + | 18 |
| Heidelb Zem | 980 | + | 19 |
| Hochtief | 1150 | + | 15 |
| Mercedes | 456.5 | + | 7.5 |
| Siemens | 660 | + | 10 |
| **Falls** | | | |
| Sud Chemie | 420 | – | 12 |

| NEW YORK ($) | | | |
|---|---|---|---|
| **Rises** | | | |
| Amgen | 49½ | + | 1¼ |
| Merck | 37⅝ | + | ¼ |
| Philip Morris | 71 | + | ½ |
| **Falls** | | | |
| Gen Motors | 39⅛ | – | ½ |
| Intl Paper | 64⅝ | – | ⅞ |
| Schering-Plough | 57⅞ | – | 2⅛ |

New York prices at 12.30.

| PARIS (FFr) | | | |
|---|---|---|---|
| **Rises** | | | |
| Air Liquide | 774 | + | 20 |
| Docks de France | 441 | + | 13 |
| GTM-Entrepose | 407 | + | 17 |
| Nav Mixte | 935 | + | 39 |
| **Falls** | | | |
| Geophysique | 560 | – | 10 |
| Immobanque | 645 | – | 16 |

| TOKYO (Yen) | | | |
|---|---|---|---|
| **Rises** | | | |
| Hamai | 380 | + | 30 |
| Hoshi Textile | 250 | + | 40 |
| Kasuga Elec | 325 | + | 35 |
| Meiji Machine | 315 | + | 45 |
| Meiji Seika | 709 | + | 80 |
| Nitto Kako | 275 | + | 30 |

| LONDON (Pence) | | | |
|---|---|---|---|
| **Rises** | | | |
| Amersham Intl | 716 | + | 21 |
| Anglia TV | 230 | + | 17 |
| Blue Circle | 227 | + | 12 |
| Bowater | 515 | + | 18 |
| Brown Shipley | 38 | + | 3 |
| Countryside Pr | 124 | + | 5 |
| Cupid | 53 | + | 7 |
| Forward Group | 141 | + | 10 |
| Glaxo | 684 | + | 22 |
| GUS A | 1606 | + | 23 |
| Gresham Tele | 84 | + | 7½ |
| Ingham | 109 | + | 7 |
| Kingfisher | 557 | + | 30 |
| Klnwrt Benson | 378 | + | 17 |
| Misys | 492 | + | 19 |
| P & P | 58 | + | 4 |
| Ramco Oil | 109 | + | 11 |
| Stratagem | 123 | + | 13 |
| Wheway | 9 | + | 1½ |
| Wimpey (G) | 139 | + | 9 |
| **Falls** | | | |
| Gold Greenlees | 288 | – | 12 |
| Hadleigh | 78 | – | 4 |
| Reed Exec | 55 | – | 3 |

# RTZ makes $470m move into US coal

By Kenneth Gooding, Mining Correspondent

RTZ, the world's biggest mining company, is moving into US coal with a $470m agreed offer for Nerco, the floundering natural resources group 82 per cent owned by PacifiCorp.

Nerco's profitable coal units will be merged with RTZ's US Kennecott copper and gold mining subsidiary but the Morgan Stanley investment bank will sell the oil and gas operations.

Nerco's gold and silver mining interests have been up for sale for some time. RTZ will look closely before deciding whether to go ahead with the disposal process already in place.

Nerco's net debt at the end of 1992 was $692m and after the deal RTZ's gearing will rise to about 60 per cent from 35 per cent. Mr Robert Wilson, RTZ's chief executive, said: "We shall move promptly to achieve the planned asset disposals. Meanwhile, we expect this transaction to enhance earnings even in 1993."

PacifiCorp has agreed to fund $225m of the consideration and will be repaid from certain contract revenues of Nerco.

Through its 49 per cent-owned associate, CRA, RTZ already has coal interests in Australia and Indonesia. Nerco owns two low-sulphur, open pit, steam coal mines in the Powder River Basin in Montana and Wyoming and has a 50 per cent stake in a third. It produced 16.6m tonnes in 1992 and has reserves totalling 580m tonnes, and more than 60 per cent of production is secured by long-term contracts. Mr Wilson said demand for low-sulphur coal in the US was expected to grow by 2 per cent annually and material from Powder River was probably the lowest-cost in the world: about $4 a tonne to mine.

RTZ's share price closed 6p down after the news at 646p, possibly because of market fears of a rights issue.

RTZ is offering $12 for each Nerco share. At midday Nerco's shares were up $1½ at $11¾. The US company also announced a net loss of $551m on revenues of $578m after write-downs totalling $714m. This left its net assets worth $247m.

Mr Euan Worthington, head of the mining team at S G Warburg, said: "It looks like a very good deal – if you want that sort of deal. But should anyone be buying coal anywhere in the world, even reasonably high-quality coal?"

Lex, Page 14

Neil Buckley and Alice Rawsthorn report on the deal between Kingfisher and Darty

# Takeover creates Europe-wide retailer


Electrical connection: Sir Geoff Mulcahy (left) of Kingfisher said the deal with Philippe Francès' Darty created a business "with the muscle to compete on a European basis"

KINGFISHER, the UK retail group, yesterday agreed its £560m ($800m) takeover of Darty, France's biggest electricals retailer, to create one of the largest non-food retailing groups in Europe.

The deal was welcomed in the City of London, with Kingfisher's shares closing up 30p at 557p. Kingfisher announced it would partly fund the deal with a £313m, one-for-seven, rights issue.

The deal values Darty at FFr4.45bn ($790m). Kingfisher will pay for it with £207m cash, plus 68m Kingfisher shares, giving Darty shareholders a significant stake of between 10 and 12 per cent in Kingfisher. It will also take on debts of about £477m. Analysts were enthusiastic about the takeover. Mr John Richards of NatWest Securities said in the long term it offered the prospect of creating the first "major European power-retailer".

Sir Geoff Mulcahy, Kingfisher's chairman, said the deal would create a business "with the muscle to compete on a European basis as well as enhancing growth opportunities in our domestic markets".

Speaking in Paris, Mr Philippe Francès, chairman of Darty, said the deal marked the start of a "strategic European alliance" between the two groups which would enable his company to fulfil its potential for the future.

Darty has been a force in French retailing since 1957 when the three Darty brothers – Bernard, Claude and Nathan – opened their first store. It now dominates the white and brown goods sector with 130 warehouse-style stores which command 12 per cent of the French market.

The group is one of France's most profitable retailers but has come under pressure in recent years because of the burden of the FFr4bn net debt left by its 1988 management buy-out from the Darty family and the increasingly competitive state of the French retail sector. It saw sales slip from FFr8.75bn to FFr8.56bn in its last financial year to August 31 when pre-tax profits fell from FFr1.085bn to FFr1.07bn.

In the medium term, Darty intends to extend its operations outside France, at present restricted to a joint venture in Belgium with retailer New Vandenborre. Mr Francès said that "there are lots of other European countries where we'd like to be".

Kingfisher will also strengthen its balance sheet with a one-for-seven rights issue, at a price of 450p each. The issue will be in two stages, with a first instalment of 225p payable by March 15 irrespective of whether the takeover is completed. The second will only become payable if the takeover is approved.

That would take Kingfisher's gearing to 66 per cent, but Mr James Kerr Muir, finance director, said he expected the group's strong cashflow to enable this to be reduced by a "significant amount" in a "fairly short time".

Lex, Page 14

# Sony sales slide helps cut profits to Y50bn

By Michiyo Nakamoto in Tokyo

THE continuing weakness of Japanese consumer spending and adverse currency movements contributed to a decline in third-quarter consolidated sales and profits at Sony, the Japanese electronics group.

Sales in the three months ended December fell nearly 4 per cent to Y1,082bn ($8.9bn) from Y1,125bn previously. Pre-tax profits dropped more dramatically by 62 per cent to Y50.6bn, although this was largely due to an extraordinary gain following the issue of shares by Sony Music Entertainment in the previous year. Discounting the effect of the 1991 extraordinary gain, pre-tax profits fell by 27 per cent.

Europe showed the steepest decline of all Sony's important markets, with sales falling by 10 per cent to Y310.8bn, although Japan followed closely with an 8.6 per cent fall in sales to Y257.3bn.

In contrast, sales in the US were up 1.2 per cent to Y330.6bn, although this was affected by the weakness of the dollar against the yen. In dollar terms sales were up by 12 per cent.

Among products, video recorders and camcorders suffered the largest reduction in sales of nearly 12 per cent. Audio sales also fell 6 per cent, while TV sales increased by 10 per cent on the strength of worldwide demand for computer displays from the computer industry and the popularity of Sony's flatter screen TV in the US.

While music sales were down by 4 per cent, in dollar terms music entertainment rose 16 per cent. Film entertainment, however, saw a decline of 8 per cent even in dollar terms, although this was also due to an extraordinary gain in the previous third quarter, Sony said.

Sony has not changed its projections for the next fiscal year since it reduced its forecast in November to sales of Y3,950bn, or a 3 per cent increase.

The company reports that sales of MiniDiscs, its new digital compact disc format which is competing for the portable digital audio market with Philips's Digital Compact Cassette, are strong. Sony is increasing its initial monthly production of 30,000 MiniDisc units to between 40,000 and 50,000. The number of software titles is expected to rise to between 1,250 and 1,500 by the end of the year.

# Philip Morris in talks to buy UK chocolate maker

By Guy de Jonquières, Consumer Industries Editor

UNITED Biscuits, Britain's largest biscuit and snacks manufacturer, is seeking to sell Terry's, its chocolate division, in a move intended to cut debt and pave the way for further acquisitions.

Talks have been underway for several weeks with a number of prospective buyers. They are understood to be most advanced with Philip Morris, the US tobacco and food group, which owns Jacobs Suchard, the Swiss chocolate and coffee company. Neither UB nor Philip Morris would comment.

Analysts estimate that Terry's, which earned operating profits of £3.2m ($4.6m) on sales of £69m in the first half of last year, could fetch more than £200m. The company has about 3 per cent of the UK chocolate market as well as subsidiaries in France and Italy.

UB has made a string of acquisitions in the past two years in an effort to strengthen its international presence in biscuits and savoury snacks, which it views as its core businesses.

The company is considering bidding for the biscuits interests of Royal Brands, a leading Spanish food company, which has been put up for sale by Tabacalera, its state-owned parent.

However, UB's scope for further acquisitions is limited by its high gearing, which rose to 88 per cent after last month's £47m purchase of Bake-Line, a US biscuit maker. The company's total debt is currently about £540m.

The sale of Terry's would take the recent consolidation of Europe's chocolate industry a step further. Suchard, which was purchased by Philip Morris for $3.8bn in 1990, successfully bid $1.5bn last autumn to acquire Freia Marabou, a Norwegian confectionery manufacturer.

Though Suchard is one of Europe's leading chocolate producers, it has only a small share of the UK market, which is dominated by Cadbury Schweppes, Nestlé and Mars.

Another possible bidder for Terry's is Hershey, the largest US chocolate company.

# Ulcer drug sales help Glaxo lift profits by 16% to £819m

By Paul Abrahams in London

GLAXO, Europe's biggest pharmaceuticals group, yesterday reported pre-tax profits up 16 per cent from £709m to £819m ($1.163bn) for the six months to December 31. The result was achieved on turnover up 16 per cent from £1.97bn to £2.29bn.

The main driving force behind the higher than expected profits increase was the strong growth of the ulcer treatment Zantac, the world's best-selling drug.

Glaxo tried to clarify its ambitions in the over-the-counter (OTC) non-prescription drug market. Dr Ernest Mario, chief executive, said he apologised if the market had been confused about the company's strategy.

There have been rumours, following the appointment of Mr Arthur Pappas last month, that Glaxo might be preparing a rights issue to acquire Warner-Lambert in the US which has a large OTC business.

Dr Mario said the company had a number of products, such as Zantac, that might be switched to the OTC market. Mr Pappas had been appointed to help the group do this. However, that did not mean Glaxo would buy OTC products or other companies just to increase turnover in OTC. This statement calmed the market's immediate fears and Glaxo's shares lifted 22p to 684p in a rising stock market.

Glaxo had limited price increases to below the rate of inflation, Dr Mario said. Group sales, excluding exchange rates, rose 13 per cent. Only 1 per cent came from price increases, with 12 per cent from volume growth.

Because Glaxo does not produce drugs in Puerto Rico, Dr Mario said it was less exposed than other drug companies to any moves by the Clinton administration to curb the island's tax haven status.

Dr Mario said sales of new products, including Imigran, the migraine treatment, and Serevent, an asthma drug, rose £92m, while established drugs improved by £83m.

Details, Page 20; Lex, Page 14

# Statoil falls 40% to NKr2.5bn

By Karen Fossli in Oslo

STATOIL, the Norwegian state oil company, yesterday reported a 40 per cent slide in 1992 net profits to NKr2.5bn ($361.3m), caused mainly by a big operating loss in petrochemicals operations. Low oil prices and weak refinery margins also contributed to the downturn.

The company has proposed to cut its dividend payment to the state – Statoil's owners – to NKr1.25bn from NKr1.4bn in 1991, but even at this level the payout would rise to 50 per cent of net profits, from 34 per cent in 1991.

Group operating income rose to NKr79.4bn from NKr78.3bn, but operating profits fell to NKr12.5bn from NKr13.6bn in 1991. Petrochemicals saw a NKr500m decline in operating income to NKr5.5bn as operating losses widened to NKr438m from NKr30m.

Statoil also suffered financial charges of NKr1.6bn, up from NKr1bn in 1991, which it blamed partially on a NKr489m loss on a swap arrangement in shares in Saga Petroleum, Norway's biggest independent oil company. The company issued a pessimistic outlook for its main markets in 1993 and warned it would be unable to generate sufficient cashflow from operations to finance immediate investment commitments.

"This imposes additional demands on the group's earnings and financial strength," the company said. Ms Brit Rugland, vice-president of finance, said the company would seek to borrow between NKr4bn and NKr6bn in 1993 – the first time the company has had to borrow on this scale in five years – including refinancing of existing loans, and that investments would rise to NKr12bn from NKr7bn last year.

The company plans an international expansion in exploration and production operations in an effort to find new oil reserves to replenish a sharp decline in production expected by 1995-96. It also plans substantial domestic investments this year.

"Access to new commercially recoverable reserves will strengthen Statoil's earnings in the long-term," it said. The group's estimated tax bill for 1992, at NKr8.5bn, is at last year's level, but the company said its effective tax rate had increased to 77 per cent in 1992, from 68 per cent in 1991. The net rate of return on capital employed in 1992 fell to 5.1 per cent from 8.3 per cent a year earlier. "Extensive action is being taken to enhance Statoil's profitability," the company said.

Group equity-to-debt ratio in 1992 was 28.4 per cent, on a par with 1991, but Statoil reiterated its goal to achieve a ratio of between 35 per cent and 40 per cent by 1995.

Mongstad refinery in doubt, Page 30

# Gehe deal to create leading European drug distributor

By Christopher Parkes in Frankfurt

GEHE, a leading German drugs wholesaler, yesterday announced a FFr800 ($144) per share agreed takeover offer for France's leading wholesaler, Office Commercial Pharmaceutique.

The merger would create the largest European pharmaceuticals distribution business, with sales of around DM14bn ($8.5bn) a year. The two companies already have an alliance with AAH, the UK wholesaler. The deal would ease access to other markets in the European Community and eastern Europe, Gehe said yesterday.

The Stuttgart-based German group said it would go ahead with the takeover if it received more than 50 per cent acceptances. It reserved the right to press on with the bid if this level were not reached.

After Schering, Gehe is Germany's second-biggest quoted drugs wholesaler, with annual sales of around DM5bn. In 1991, the last full year for which results are available, it made pre-tax profits of DM175m.

While wholesaling accounts for around half of group earnings, drugs manufacture provides a further 25 per cent, with the balance coming from various mail order activities. Although primarily confined to Germany, drugs distribution has recently been expanded into Poland.

Gehe developed its mail order businesses, specialising in office and warehousing equipment and operating as far afield as the US, during the 1980s, when the drugs operations were affected by stagnating markets.

Manufacture, mainly of generic pharmaceutical products, has expanded recently. It was boosted after German unification by the acquisition of Jenapharm and a 60 per cent stake in Azupharma.

The group, which is controlled by the Haniel family, whose members account for 52 per cent of the shares, has benefited in the past two years from the effects of German unification. But it faces a squeeze from government plans to reduce health spending. These include price cuts for pharmaceuticals and prescription limits.

# Kvaerner slips to Nkr932m due to losses in shipping and engineering

By Karen Fossli in Oslo

KVAERNER, the diversified Norwegian group with main interests in engineering, shipping and shipbuilding, registered a fall in 1992 pre-tax profit to NKr932m ($136.7m) from NKr1.12bn a year earlier.

The weaker result was due to substantial losses by the group's mechanical engineering and shipping divisions. Shipping operations plunged into a NKr115m pre-tax loss last year from a NKr4m profit in 1991 while mechanical engineering widened pre-tax losses to NKr232m from NKr51m.

Shipbuilding, which accounted for nearly 80 per cent of group profits, increased pre-tax profit by NKr204m to NKr735m last year.

Group net revenue rose to NKr20bn from NKr18.7bn in 1991, but operating costs increased to NKr18.4bn from NKr16.9bn.

Kvaerner forecast 1993 pre-tax profit to be on a par with last year's, despite an expected weaker shipbuilding market.

● Dyno Industrier, the diversified Norwegian group, yesterday reported a three-fold increase in 1992 pre-tax profit to NKr160m ($23.1m) from NKr54m a year earlier.

Group sales fell to NKr7.5bn from NKr7.7bn as Dyno experienced a "difficult year" in most of its main markets, caused by pressure on prices and the sale of its construction machinery business.

Group operating profit rose by NKr26m to NKr329m and financial income improved by NKr55m to NKr212m.

Plastics suffered an operating loss of NKr12m compared with a NKr69m profit in 1991. The explosives division made progress in the US and Australia but profits fell in Scandinavia due to low construction activity.

● Leif Hoegh, one of Norway's biggest shipowners, yesterday revealed a sharp fall in 1992 net profit to NKr173m from NKr368m in 1991.

# Bank may buy Spanish state ferry

By Peter Bruce in Madrid

BANCO Central Hispanoamericano (BCH), one of Spain's biggest commercial banks, is understood to be negotiating to buy the bulk of the Spanish state's 95 per cent stake in the Transmediterranea ferry company.

The government had wanted to include Transmediterranea in a slew of part privatisations this year. The company has returned to profit in the past two years. Talks are said to centre on BCH taking about 60 per cent of the company.

This would cost the bank about Pta85bn ($726m), based on the price of the 5 per cent of the company that trades in the Spanish markets.

● Spain's financial futures exchange, the Barcelona-based MEFF, said it would start trading its first individual share options on February 25, Reuter reports from Madrid.

It will start with Telefonica Espanola and Endesa options, which have been running in simulated trading since February 2, and hopes to add Repsol and Banco Bilbao Vizcaya shortly.

# Italian engineer plans share issue

By Haig Simonian in Milan

FINMECCANICA, the Italian state-owned engineering group which is merging with some listed subsidiaries, has revealed moderate gains in 1992 sales and earnings and plans for a fundraising share issue.

The announcement came as shareholders of Finmeccanica's Alenia aerospace, Elsag-Bailey automation and Ansaldo engineering subsidiaries approved the merger proposals put forward last December.

Mr Fabiano Fabiani, Finmeccanica's managing director, said group net profits rose by 7.7 per cent to L182bn ($121m) last year, while sales climbed 2.1 per cent to L11,200bn. Net debt climbed by 9.4 per cent to L5,320bn, while interest costs jumped to L450bn from L297bn in 1991, largely due to the sharp rise in interest rates in the second half of last year.

Finmeccanica unveiled plans to raise up to L891bn through a multi-tranche capital issue over the next year. The proceeds would come from issuing 307m new shares, with a nominal value of L1,000 each. The shares would carry a L1,500 premium, which could be altered up or down by L400 a share, depending on market conditions.

The Italian government has indicated it is ready to reduce its stake in Finmeccanica, owned through the IRI state holding company, to below 50 per cent, although no timetable has been set. Should all minority shareholders in Finmeccanica's subsidiaries accept the share swap linked to the merger, IRI's stake will fall to 86.6 per cent from 96.4 per cent.

The planned capital increase could dilute that further. IRI has said it will spend L493bn underwriting new Finmeccanica shares. Rights to any remaining stock will be ceded to a banking consortium, on terms yet to be revealed.

Mr Fabiani blamed the rise in Finmeccanica's net debts on the delays in payment from public-sector clients in Italy.

# The slide from difficulty to disaster

## Christopher Brown-Humes on the crisis that has engulfed SE Banken

IT HAD been known for some time that Skandinaviska Enskilda Banken was in acute financial difficulty, but only yesterday did the full extent of the crisis become clear. The SKr5.3bn ($711.6m) loss for 1992 dwarfed anything that analysts had expected.

The forecast of huge credit losses this year and next made the picture even bleaker. There was no surprise, therefore, that the government finally confirmed that the bank needed state support.

The revelations do much to bear out the accuracy of a current Swedish joke, which suggests that the difference between a good bank and a bad bank in the country is about six months.

For the speed at which the crisis has overtaken Sweden's most prestigious bank is stunning. A year ago, it made a SKr2.3bn profit. For the first four months of 1992 it recorded a SKr600m operating loss – its first deficit. After eight months, the loss had reached SKr2.6bn. But even this doubled in the final four months to reach yesterday's extraordinary total.

That things deteriorated so quickly owes as much to the boom of the late 1980s as to the recession that followed. The collapse in property values has been the single most important factor in the weakening of the Swedish banking system, and SE Banken is paying a heavy price for its exposure to a small number of big clients in the real estate sector – just 15 customers account for almost half of last year's SKr10.9bn lending losses.

SE Banken's plight means that of the larger commercial banks, only Svenska Handelsbanken looks as if it has a realistic chance of surviving without state aid. The government has already put up SKr67.5bn to support three banks – Nordbanken, Gota Bank and Första Sparbanken – of which both Nordbanken and Gota Bank are under state control.

Some analysts believe that only strong political objections will prevent SE Banken falling into state hands.

"The problems at SE Banken are similar to those at banks the government already owns. But the government doesn't want to own any more banks and there is value in having more than one privately-owned bank," says one observer.

How much money the state puts up, and how much capital SE Banken can attract through its own efforts, are the key questions. Conservative estimates suggest at least SKr10bn will be needed to recapitalise the bank, although some say the eventual figure will be much higher.

The state expects SE Banken to do as much as possible to resolve its problems by raising new capital from private sources. But the bank is equally keen to know the extent of government aid before it goes ahead with any new share issue. A complex game is likely, in which each player tries to force the other to show his cards first.

One possible outcome would be for the state to guarantee the assets in SE Banken's "bad bank" – the special division set up last month to house non-performing loans – with additional share capital being raised from private sources to strengthen the bank's healthy activities. Some of the bank's shareholders, as the most notable casualties of the current crisis, may prove reluctant to provide more funds.

Mr Björn Svedberg, SE Banken's chief executive, can play on the state's reluctance to take over the bank – but he can also count on the state driving a hard bargain as part of its determination to get a good deal for the taxpayer and to ensure competitive neutrality. That could entail the disposal of some of the bank's profitable activities.

Many are waiting to see what role the Wallenberg family, Sweden's biggest corporate dynasty, might play in the outcome. The Wallenbergs' interests currently hold only 8 per cent of SE Banken's shares, but there has been speculation that this stake will increase as part of any reconstruction.

However, this would almost certainly force the group to dispose of other shareholdings. There has also been speculation that the Wallenbergs might sell their voting rights to a 39.6 per cent holding in SKF, the world's biggest roller-bearing manufacturer.

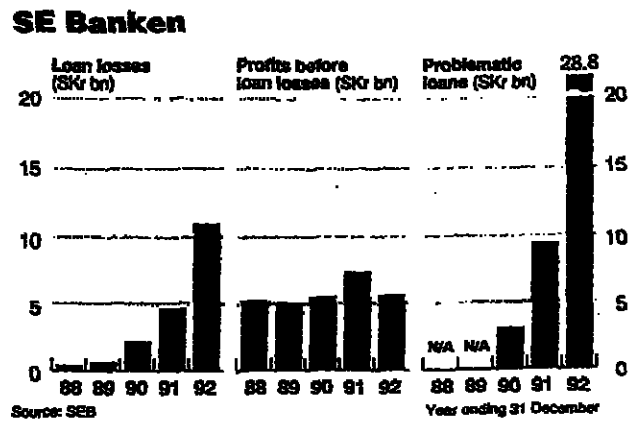
Last month SE Banken carried out a sweeping reorganisation, and it is likely that further moves will be made to cut costs further and to bolster the capital base. Such actions are likely to include staff cuts and disposals.

But these efforts alone are unlikely to solve the bank's difficulties without a broader upturn in the Swedish economy. There have been some positive developments - including a recent fall in interest rates and the devaluation of the krona but the economy is still heading for another difficult year.

The finance department and the bank agree that Sweden's banking crisis will continue for at least another two years, with losses this year likely to equal those of last year.

"Most of the problems in the sector should have been dealt with by the end of next year," Mr Bo Lundgren, the taxation minister, said yesterday. For the moment, that is as optimistic an assessment as can be found of the prospects for an end to Sweden's banking crisis.

**SE Banken**




Source: SEB

## EUROPEAN COMPANY NEWS IN BRIEF

STE Microelectronique et d'Horlogerie, the Swiss watchmaker, is likely to record an increase in net profit for 1992 of between 50 per cent and 60 per cent, said Mr Nicolas Hayek, the chief executive, Reuter reports from Zurich. Mr Hayek said provisional accounts showed 1992 sales had risen to SFr2.85bn ($1.9bn) from SFr2.37bn. In 1991, SMH – maker of Swatch watches - recorded a group net profit of SFr252m.

● ARES-SERONO, the Swiss pharmaceutical company, said that it expected higher group net profits for 1992, and added that 1993 earnings should at least keep pace with 1992 growth, Reuter reports from Zurich. A company spokeswoman said the group expected 1992 group net profits to rise to more than $100m from 1991's $71.2m. The expected rise was due to the sale of its non-prescription drugs unit last March to Italy's Home Products Italiana.

● BANQUE Nationale de Paris, Dresdner Bank and the Russian central bank signed an agreement for the establishment of a bank, jointly owned by the French and German partners, Reuter reports from Paris. BNP said the bank would have $10m in capital, split equally between BNP and Dresdner, and be called BNP-Dresdner Bank (Russia). It will have its headquarters in St Petersburg and a branch office in Moscow.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Pool purchase price £/MWh (Provisional Price for Trading on [illegible]) | Pool purchase price £/MWh (Final Prices for Trading on [illegible]) | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 18.08 | 18.51 | 18.51 |
| 0100 | 20.77 | 21.28 | 22.53 |
| 0130 | 20.77 | 27.96 | 29.50 |
| 0200 | 20.77 | 27.96 | 29.45 |
| 0230 | 18.08 | 21.28 | 22.48 |
| 0300 | 18.06 | 21.26 | 22.48 |
| 0330 | 18.03 | 18.51 | 18.51 |
| 0400 | 17.59 | 18.29 | 18.29 |
| 0430 | 17.53 | 17.63 | 17.63 |
| 0500 | 17.52 | 17.63 | 17.63 |
| 0530 | 17.60 | 17.70 | 17.70 |
| 0600 | 17.60 | 17.67 | 17.67 |
| 0630 | 18.06 | 18.29 | 18.29 |
| 0700 | 20.95 | 21.62 | 22.89 |
| 0730 | 20.82 | 21.62 | 22.88 |
| 0800 | 21.07 | 22.47 | 23.74 |
| 0830 | 21.08 | 25.57 | 26.94 |
| 0900 | 21.71 | 26.12 | 27.49 |
| 0930 | 21.71 | 26.12 | 27.49 |
| 1000 | 24.10 | 26.12 | 27.48 |
| 1030 | 24.10 | 25.57 | 26.92 |
| 1100 | 21.71 | 23.51 | 24.81 |
| 1130 | 21.71 | 23.51 | 24.81 |
| 1200 | 21.71 | 26.12 | 27.48 |
| 1230 | 21.71 | 26.12 | 27.48 |
| 1300 | 21.71 | 25.57 | 26.94 |
| 1330 | 21.54 | 22.66 | 23.94 |
| 1400 | 21.54 | 19.40 | 19.40 |
| 1430 | 21.54 | 19.25 | 19.25 |
| 1500 | 21.54 | 18.60 | 18.60 |
| 1530 | 18.62 | 18.72 | 18.72 |
| 1600 | 18.61 | 18.72 | 18.72 |
| 1630 | 18.61 | 22.28 | 23.55 |
| 1700 | 21.08 | 26.16 | 27.54 |
| 1730 | 22.46 | 27.21 | 28.56 |
| 1800 | 22.48 | 27.18 | 28.54 |
| 1830 | 23.60 | 27.06 | 28.38 |
| 1900 | 23.60 | 24.82 | 26.08 |
| 1930 | 22.46 | 23.96 | 25.21 |
| 2000 | 22.46 | 23.09 | 24.33 |
| 2030 | 22.10 | 21.82 | 22.83 |
| 2100 | 22.10 | 21.82 | 22.88 |
| 2130 | 22.10 | 21.36 | 22.57 |
| 2200 | 22.10 | 21.38 | 22.58 |
| 2230 | 18.22 | 18.57 | 18.57 |
| 2300 | 18.22 | 17.67 | 17.87 |
| 2330 | 17.54 | 17.60 | 17.60 |
| 2400 | 17.64 | 17.64 | 17.64 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone [illegible] between [illegible] and [illegible] Monday to Friday.

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**European Investment Bank**

ECU 500,000,000

Floating Rate Notes due 2002

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the six month period ending 18th August, 1993 has been fixed at 8.61719% per annum. The interest accruing for such six month period will be ECU 216.63 per ECU 5,000 Bearer Note, and ECU 4,332.53 per ECU 100,000 Bearer Note, on 18th August, 1993 against presentation of Coupon No. 3.

**Union Bank of Switzerland London Branch Agent Bank**

**16th February, 1993**

**ALCATEL ALSTHOM**

Alcatel Alsthom, the Paris based telecommunications, power and transport equipment group reported provisional 1992 consolidated net sales of FF 161.7 billion, compared to FF 160.1 billion in 1991, a 1% increase which includes a negative exchange rate impact.

**Order backlog increases in 1992**

By sector, 1992 and 1991 sales break down as follows:

| (in millions of French Francs) | 1992 | 1991 |
|---|---|---|
| Communications systems | 109,714 (1) | 109,873 |
| Energy and Transport (2) | 27,685 | 25,887 |
| Electrical Engineering | 16,052 | 15,924 |
| Batteries | 3,503 | 3,482 |
| Services | 7,305 | 6,908 |
| Inter-group Sales | (2,607) | (1,992) |
| TOTAL | 161,652 | 160,082 |

*(1) Of which: Network systems: 39%; Cables: 32%; Radio, Space and Defense: 11%; Business systems: 10%; Others: 8%.*

*(2) Sales of GEC Alsthom taken at 50%.*

Orders recorded in 1992 amounted to FF 166 billion, as compared to FF 165.3 billion in 1991. Orders were FF 4.3 billion higher than sales and resulted in an increase in the order backlog to FF 142 billion, compared to FF 137.6 billion at the end of December 1991.

Alcatel Alsthom is one of the world's largest suppliers of equipment and systems for the telecommunications, power and transport sectors. Alcatel Alsthom shares trade on the Paris Stock Exchange as well as in ADR form on the New York Stock Exchange, where prices may be accessed on Reuters Equity 2000 service under the symbol ALA.

Notice to the Warrantholders of

**MAEDA CORPORATION**

(the "Company")

U.S.$200,000,000 4 ½ per cent. Bonds 1994 with Warrants

Pursuant to the resolutions passed at the meetings of the board of directors of the Company held on 26th January and 2nd February, 1993, the Company authorised to issue U.S.$200,000,000 2 ½ per cent. bonds 1997 with warrants (date of issue: 18th February, 1993) at the initial subscription price of 856 Japanese Yen per share which is less than the current market price per share of 919.10 Japanese Yen on 2nd February, 1993, calculated as provided in Clause 3 (vii) and 3 (ix) of the Instrument dated 20th December, 1990 regarding the Warrants.

Pursuant to Clause 3 (xiv) of the Instrument, we hereby notify you of the adjustment of the subscription price of the Warrants as follows:

(1) Subscription price of the Warrants
Before adjustment: 1,825.00 Japanese Yen
After adjustment: 1,807.00 Japanese Yen

(2) Effective date
19th February, 1993 (Japan time)

**MAEDA CORPORATION**
10-26, Fujimi 2-chome, Chiyoda-ku, Tokyo 102, Japan
by: The Fuji Bank and Trust Company as Disbursement Agent

19th February, 1993

**INTERNATIONAL COMPANIES AND FINANCE**

# Restructure scheme is unveiled by TWA

By Alan Friedman

TRANS World Airlines (TWA), the bankrupt and debt-laden US carrier, has presented its long-awaited reorganisation plan, in which it told a Delaware court it hoped to emerge from bankruptcy this spring.

The plan – presented by the airline and its official unsecured creditors' committee – provides for the elimination of about $4bn in total claims against TWA. It calls for the distribution of new TWA common and preferred stock to the airline's creditors and employees and the issue of new debt securities.

Under the plan TWA's creditors would receive cash and new debt and equity securities. TWA employees would own 45 per cent of the common stock of the reorganised airline; the employees have agreed about $660m of wage and benefit cuts over a three-year period.

The remaining 55 per cent of common stock, as well as 100 per cent of preferred stock and new debt securities, would be distributed to various unsecured creditors.

Mr Glenn Zander and Mr Robin Wilson, TWA's co-chief executives, said the plan set the stage for the airline to emerge from bankruptcy ahead of the peak summer travel season.

They claimed it established the framework of a sound debt and capital structure under which TWA could return to profitability.

Mr Charles MacDonald, chairman of the creditors' committee, called the plan "a watershed event" and said that while negotiations would continue, the filing of the plan meant the main elements had won general acceptance.

The next step is expected to be a court hearing on TWA's statement, to be held soon. The plan cannot become effective without further bankruptcy court proceedings and acceptance by TWA creditors.

The plan's strategy includes shrinking TWA operations to eliminate unprofitable routes and reconfiguring the aircraft fleet.

# Navistar reduces loss to $5m on improved sales

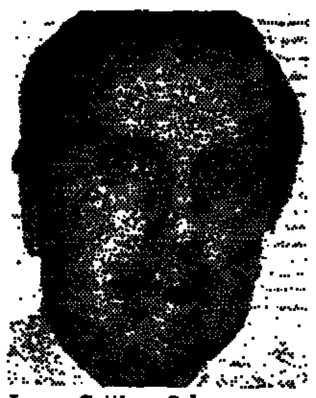
By Laurie Morse in Chicago

AN increase in deliveries of medium and heavy trucks and diesel engines helped Chicago-based Navistar International to trim its first-quarter loss to $5m, or 5 cents per share, from last year's first-quarter deficit of $32m, or 16 cents.

Mr James Cotting, chairman, attributed the improvement to higher sales and reduced operating costs.

Sales revenue at the company, which is north America's largest truck manufacturer formerly known as International Harvester, rose by 15 per cent to $1.03bn in the quarter, up from $902m a year earlier.

Much of Navistar's sales gains reflected a 13 per cent increase in retail deliveries, to 16,800 units in the quarter. Shipments of mid-range diesel engines to other truck manufactures rose 18 per cent, and sales of replacement parts rose 6 per cent over the first quarter of 1992.


James Cotting: Sales revenue advanced 15% to $1.03bn

Navistar said orders for its trucks continued to be strong in the second quarter. As a result, the company revised upwards its projections for north American medium and heavy truck sales. For 1993, it projects industry demand for medium trucks and school buses will reach 129,700 units, about 10 per cent higher than 1992. It is projecting heavy truck demand at 147,800 units this year, an 18 per cent increase.

Navistar is in the middle of talks with its unions to restructure healthcare and retirement costs. In January, Navistar employees represented by the United Auto Workers Union ratified a new labour agreement.

The company's long-term debt in its manufacturing operations, as a percentage of equity, rose to 33 per cent in the first quarter, up from 21 per cent in the same period of 1992.

# TransAmerica pushed to record

By Patrick Harverson in New York

TRANSAMERICA, the San Francisco-based financial services group, yesterday reported record fourth-quarter profits from continuing operations of $86.5m, thanks to strong performances from its consumer lending, leasing, property services and life insurance operations.

The group's net income for the quarter, however, was only $11.9m, after a $75m provision for estimated losses from the disposal of a majority interest in its property casualty insurance operations, which will be sold in the second quarter through an initial public offering of stock.

In the fourth quarter last year, TransAmerica incurred a loss of $94.5m in the wake of a $130m after-tax charge at its commercial lending unit.

For the full year 1992, TransAmerica reported net income of $243m, up from $50.1m in 1991. Excluding the provision for discontinued operations and investment gains, the group's earnings last year totalled a record $337.8m.

Among TransAmerica's various businesses, earnings from the consumer lending operations set records for both the final quarter and year, while the commercial finance operation bounced back into profit after four quarters of losses in 1991.

The group's leasing operation reported a small increase in quarterly earnings, and profits at its property tax services business were at record levels.

On the insurance side, operating income from life insurance rose 25 per cent in the final quarter.

# Loblaw slows fall in earnings

By Robert Gibbens in Montreal

LOBLAW, Canada's biggest food distributor and controlled by the George Weston group, slowed a long slide in profits in the final quarter of the fiscal year ended January 2 1993.

However, food price wars in eastern Canada and the US continued and Loblaw took a special C$10m (US$7.90) charge to cover problems with a US subsidiary recently sold.

Fourth-quarter net profits fell to C$28.8m from C$29.5m, on revenues 19 per cent ahead at C$2.4bn. Per-share earnings came to 33 cents in both periods. For the year, net profits fell 24 per cent to C$79.8m or 88 cents a share, from C$104.7m or C$1.17. Revenues rose 8 per cent to C$9.6bn.

Loblaw said it continued to improve market share and expected reasonable growth this year.

● Confederation Life, one of Canada's biggest insurers, has been hit by property woes. Net profits for 1992 fell to C$1.9m, after C$161m of special charges, from C$17.3m a year earlier. Revenues slipped by nearly 10 per cent to C$3.9bn. Commercial property investments totalled C$7.5bn or 40 per cent of assets.

● Torstar, publisher of the Toronto Star, Canada's biggest daily newspaper, earned net profits of C$48.8m or C$1.21 a share in 1992, including a C$54m special gain, against losses of C$3.4m or 9 cents a share in 1991. Revenues rose 3 per cent to 921m. Newspaper publishing was hit by lower advertising, but books improved, the group said.

● Molson, the Canadian brewing and retailing group, plans to buy back up to 4.48m non-voting A shares and may propose a bye law to ensure that A stockholders would participate equally with the voting stock in case of a takeover. The buy-back will be financed with C$180m received in a brewing deal with Miller of the US.

# Turner TV empire drops 30% in final term

By Alan Friedman in New York

TURNER Broadcasting System (TBS), the Atlanta-based cable television empire controlled by Mr Ted Turner, yesterday reported a 30 per cent decline in net profits for the last three months of 1992, to $30m.

Revenues in the 1992 fourth quarter rose to $538m from $402m a year before.

The company's full-year net income fell to $78m from $86m in 1991.

Consolidated revenues for the whole of 1992 were 20 per cent higher at $1.77bn, while operating profits for the year declined slightly, to $289m from $297m in 1991.

TBS attributed the fall to special charges associated with the termination of operations for the Checkout Channel, a cable service used in supermarkets.

Without this charge TBS said operating profit for the whole of last year would have risen by 3 per cent to $305m, while net profits for 1992 would have been $94m.

The operating profit of CNN, Headline News and CNN International, the news channels, rose by 8 per cent in 1992, but the news division suffered an overall fall of 8 per cent to $155m because of the Checkout Channel charges.

Revenues in the news division were 12 per cent higher at $536m.

Operating profit for 1992 in the entertainment division was $176m, an 11 per cent rise over the previous year. Revenues in the division were 19 per cent better at $847m for the 12-month period.

Syndication and licensing revenues were 35 per cent improved in 1992 at $259m, thanks largely to home video and theatrical revenues. However, the division suffered a $15.7m loss, more than double the 1991 loss of $5.5m.

The sports division produced $11.2m of operating profits, up from $2.3m in 1991.

Sports revenues were $83.3m last year, compared to $53.2m in 1991.

# Whirlpool plans Asian expansion based in Singapore

By Andrew Baxter in Cologne

WHIRLPOOL, the world's largest white goods manufacturer, said yesterday it was setting up an Asian headquarters in Singapore to expand its presence in the sector's fastest growing region.

The move is important for Michigan-based Whirlpool's strategy to become the first global player in the white goods industry.

"With our position in the US, Europe and Latin America, two-thirds of our strategy is in place. Asia is the one missing ingredient," said Mr David Whitwam, chairman and chief executive, at the Domotechnica appliances fair in Cologne.

Whirlpool has subsidiaries in several Asian countries: an office in Hong Kong that is developing its Chinese strategy and a manufacturing joint venture in India.

It is the largest western player in an Asian white goods market dominated by Japanese and Korean suppliers, but still has a market share of only 1 per cent, said Mr Whitwam.

He predicted that within two years the Asian market for white goods would be bigger than either western Europe or the US – where units sales were 42m and 40m respectively last year for the seven main types of large appliance.

Unit sales in Asia would grow by an average 5 per cent to 8 per cent a year over the next few years, compared with an average 2 per cent to 3 per cent in Europe and the US, he said.

The Singapore office would pave the way for a change in Whirlpool's procurement strategy for Asia.


David Whitwam: 'Asia is the one missing ingredient'

It imports white goods from Europe and the US, or purchases them from local suppliers.

The new office will include product development staff who will design white goods for Asia's many different markets, and manufacturing experts.

Mr Whitwam said Whirlpool would evolve towards expanding its manufacturing in Asia through wholly-owned subsidiaries, alliances and joint ventures.

Whirlpool sells both upmarket Bauknecht machines and value-for-money Roper products in Asia, which offered "a broad array of opportunities", said Mr Whitwam.

Whirlpool's brand strategy may not yet be as clearly defined in Asia as in Europe or the US, he said, but the Whirlpool mid-market brand would be the cornerstone.

# Framatome in stake talks

By Alice Rawsthorn in Paris

FRAMATOME, the French state-controlled nuclear reactor group, is negotiating with CEA-Industrie, another public sector nuclear concern, to buy a 20 per cent stake in Technicatome, which specialises in nuclear motors for the marine field.

The planned investment in Technicatome, which was a profitable business with sales of about FFr1bn ($183m) last year, forms part of its ongoing strategy of reducing its reliance on its declining traditional nuclear activities.

Framatome on Tuesday disclosed a fall in net profits to FFr900m last year from FFr980m in 1991 on sales down from FFr14.2bn to FFr12.5bn over the same period.

# Bramalea creditors approve proposals

By Robert Gibbens

TWO leading groups of creditors of Bramalea, one of three property companies controlled by Edper-Hees of Toronto, have approved its planned financial restructuring.

The company expects other creditor groups to come into line, enabling it to emerge from bankruptcy protection and return to profitability in 1994.

The two creditor groups comprise mortgage holders owed C$800m (US$634.9m) and others with C$1.5bn of claims against Bramalea secured income properties. The banks, owed C$1.4bn, have approved the plan. The remaining creditor groups are to vote on the restructuring by this evening.

Bramalea, a North American property and land developer, plans to sell C$2.2bn of assets in the next five years and exchange debt for equity. The assets include nine US shopping centres, as well as office buildings and shopping malls in Canada. This would reduce debt by half.

Trizec, a larger publicly-traded property company also controlled by Edper-Hees will see its interest in Bramalea fall from 70 per cent to 20 per cent, with the creditors taking effective control.

● Elan Energy, the former Lasmo Canada and fully independent from Lasmo, the UK energy group, is buying OMV Canada from OMV Gruppe of Austria for C$180m.

OMV Canada has reserves of 28.5m barrels of oil and 73bn cu ft of natural gas, and has strong cashflow from production. Elan has developed its directional drilling techniques in western Canada, and has become a medium-size exploration, development and production group. It recently bought producing properties from Chevron, Imperial Oil and Petro-Canada. Oil production is running at about 20,000 b/d.

Lasmo sold its 55 per cent interest in Lasmo Canada last year in a public offer. Then Lasmo Canada changed its name to Elan Energy.

# Desjardins has third best year

CANADA'S biggest co-operative financial institution, the Quebec-based Mouvement des Caisses Desjardins, says 1992 proved its third best year in spite of the recession, higher loan loss provisions and commercial property problems at its affiliated trust company, writes Robert Gibbens in Montreal.

Desjardins operates nearly 1,500 retail banking branches, life and general insurance units and a wholesale banking operation. Net profits rose 18 per cent to C$286m (US$228m) from the year before. Assets rose 9 per cent to C$56bn, well ahead of its Quebec rival, National Bank of Canada.

# Vitro hit by sluggish growth in Mexico

By Damian Fraser in Mexico City

VITRO, the large Mexican glass company, yesterday announced net profits of 602m new pesos ($200m) last year, 11 per cent less in real terms than in 1991. Sales reached 10.32bn new pesos, a 2.4 per cent increase after inflation.

The company blamed the fall in profits on the sluggish growth in Mexico and the US, higher domestic interest rates and real appreciation of the peso. Nearly half of Vitro's sales were in the US, making it particularly vulnerable to a strong peso and a weak US economy.

During the year Vitro acquired two local glass companies – Vidriera Oriental and Alum de Mexico – and bought ACI of the US. Without these acquisitions, sales last year would have fallen by 3 per cent.

Mr Ernesto Martens, chief executive, said 1992 was "a complex period due to macro-economic conditions", but said he hoped this year his company would consolidate dynamic growth, reduce the level of indebtedness, and improve productivity.

Vitro's margins fell particularly sharply in the US, in part due to operating difficulties with Anchor Glass, its US subsidiary. Exports, however, reached $377m, an increase in dollar terms of 7.4 per cent.





# Schroders venture arm dilutes holding in Mitel

By Bernard Simon in Toronto

SCHRODER Ventures, the venture-capital arm of Schroders, the UK merchant bank, is to dilute its 51 per cent shareholding in Mitel through a public equity offering by the Canadian telephone equipment maker.

Mitel said yesterday that it was in the process of filing a prospectus for a common share issue underwritten by ScotiaMcLeod, Midland Walwyn and Wood Gundy.

The size and price of the offering will be determined in early March.

Mitel begins presentations to institutional investors and analysts in London today.

Schroder, representing several international investment partnerships, bought its stake in Mitel from British Telecom last year.

It has indicated that it will buy up to C$10m (US$7.9m) of the newly-issued shares. As a result, Schroder's shareholding is expected to be reduced, but it is likely to remain the largest single shareholder.

Schroder paid C$1 per share for the BT stake last June. Mitel shares stood at C$2.22 in early trading on the Toronto stock exchange yesterday.



# Swedish purchase holds back Henkel's profits

By Ariane Genillard in Bonn

HENKEL, the German chemicals, cosmetics and household goods group, recorded a 10 per cent fall in profits last year, mainly due to the costs of restructuring and acquisitions.

Pre-tax profits for the year ended December 31, 1992, fell to "around DM400m" ($250m) while total sales rose by 9 per cent to DM14.1bn. Sales in Germany grew by 5 per cent and sales abroad rose by 16 per cent.

Turnover was boosted by a 53 per cent increase in sales of cosmetics, which rose from DM1bn to DM1.5bn as a result of the acquisition from Sweden's Nobel Industrier of Barnängen, the household and personal products company.

Henkel bought Barnängen early last year for DM900m. A company spokesman said the fall in profits was mainly due to the cost of financing the acquisition and to the expected bigger marketing costs for Barnängen products. Cosmetics sales accounted in 1992 for 10.9 per cent of the group's total sales, as compared with 7.8 per cent the previous year.

The group also suffered an undisclosed fall in the sales of chemicals products, which had been hard hit by the appreciation of the D-Mark against the dollar in 1992.

# Records continue to tumble on Wall Street

**Patrick Harverson** on why this week's losses on equities were only a natural correction

SO FAR, 1993 has been good to the US securities industry, which is quietly confident that this year will prove as profitable as 1992, when every record in the book fell before the Wall Street earnings juggernaut.

Since the New Year, two of the main engines of profits growth for securities firms – brokerage commissions and underwriting revenues – have been firing strongly.

Trading volumes on the New York Stock Exchange and the Nasdaq electronic market have been running at extremely high levels, averaging 267m shares and 259m shares a day respectively. That is 32 per cent and 36 per cent more than in 1992, which was itself a record year for volume. When trading is busy, brokerage commissions blossom.

On the investment banking side, Wall Street houses continue to prosper. According to Securities Data in New York, during the first six weeks of this year new issues of straight corporate debt and equity (including initial public offerings of stock) totalled $66.6bn, compared with $59.8bn in the same period of 1992.

With underwriting business currently running ahead of 1992 – a year when all previous records for securities issuance were shattered – Wall Street's investment bankers are working in top gear, and earning fees to match.

The third engine of earnings growth is trading profits, and here the picture is less bright in the wake of recent setbacks in the equity markets, triggered by President Clinton's planned tax increases.

The profits firms earn from trading their own positions are driven by the direction of markets. And, while bond prices have remained strong – thanks to low inflation, cuts in the size of government bond issues and confidence in President Clinton's ability to reduce the huge Federal deficit – the main equity indices have stumbled, barely a week after soaring to record highs.

The heavy selling of the past few days could prove a problem for securities firms if it presages a significant correction in equity prices. As Mr John Keefe, of Keefe Worldwide Information Services, explains: "When the market is down, it hurts trading profits because brokers cannot escape their long positions. And, if prices keep going down, people will leave the market."

The latter is the scenario that Wall Street fears most. A feature of the industry's boom has been the return of the individual investor to the stock market, which has had a positive knock-on effect on almost every line of business.

It has boosted brokerage commissions; lifted trading profits by keeping prices buoyant; fuelled strong growth in firms' revenues from asset management, because individuals have been entrusting more of their money to professional managers; and provided a huge pool of capital to invest in new corporate stock, thus keeping the underwriters busy.

FEW Wall Street economists, however, are predicting the stock market will nosedive this year. The run-up in prices two weeks ago was based on confidence in the economic and business outlook. The subsequent downturn was disappointment at the President's plans for tax increases, which investors fear could retard growth.

Hence, this week's losses were viewed as a natural correction that is unlikely to turn into a rout. Most forecasters expect the Dow Jones Industrial Average and the Standard & Poor's 500 to end 1993 with solid gains for the year.

Wall Street is also confident that the flows of investor capital into equities will not dry up. Interest rates remain at 30-year lows, which means investors will move their money out of poor-yielding short-term assets, like cash and money-market funds, and into more speculative but higher-yielding assets, like stocks.

Unless interest rates rise sharply this year, funds are likely to continue to pour into the equity markets. This will keep commissions buoyant and help sustain growth in the fee-based revenues securities firms earn from managing customers' assets – a relatively new area of business that Wall Street firms have been building up in recent years as a protection against more volatile trading-related revenues.

Low interest rates are also good for securities firms in other ways. First, they keep the underwriters busy. In the past two years, US companies, eager to take advantage of low borrowing rates, have been issuing new debt in record amounts. They have also been issuing record amounts of new equity because of strong stock markets and heavy demand from investors.

Second, low rates keep down the cost of the industry's raw material – capital. The big firms are particularly good at leveraging that capital and using it to make big profits from proprietary trading. Moreover, if the spread between short and long-term rates remains wide this year, as it has for the past 18 months, then Wall Street will continue to reap profits from borrowing short and lending long.

MUCH, therefore, depends on the interest rate environment remaining favourable. Although rates will probably rise this year as economic growth improves, President Clinton's planned tax increases, coupled with his relatively tough stance on cutting the deficit, plus low inflation, should keep interest rates at levels that are still low by recent historical standards.

While the overall outlook for the securities industry is bright, at least one leading firm faces a rocky road. In the recent batch of fourth-quarter 1992 results, Shearson Lehman Brothers stood out with a large loss, incurred in the wake of write-downs for litigation and soured property investments.

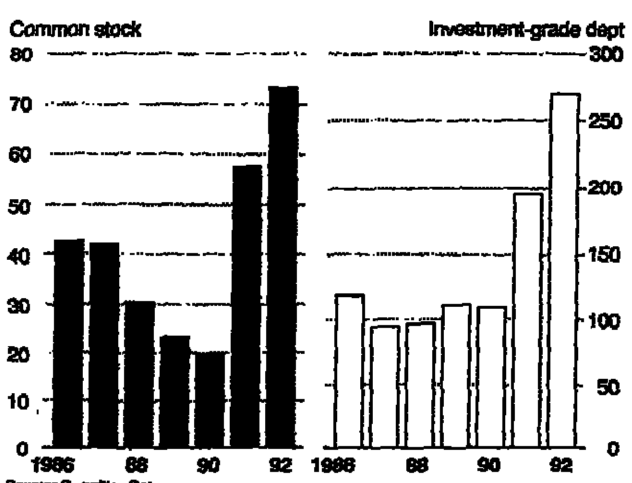
The problems at Shearson, however, go deeper than possible legal action and ill-judged past investments. The firm's costs, especially its employee compensation payments, have been growing faster than revenues.

**US domestic capital-raising issues in 1992**

| Manager | $bn |
|---|---|
| Merrill Lynch | 91.0 |
| Goldman Sachs | 64.8 |
| Lehman Brothers | 52.5 |
| Morgan Stanley | 43.0 |
| First Boston | 36.8 |
| Salomon Brothers | 27.5 |
| JP Morgan | 9.2 |
| Kidder, Peabody | 8.3 |
| Bear, Stearns | 7.8 |
| Donaldson, Lufkin | 7.4 |

Source: IDD Information Services

**Volume of new US issues**




Source: Securities Data

# South China Morning Post lags at mid-term

By Simon Davies in Hong Kong

SOUTH China Morning Post Holdings, part of Mr Rupert Murdoch's News Corporation which publishes Hong Kong's leading English language newspaper, has reported slower first-half profits but plans to pay an unchanged interim dividend.

Net profit for the six months to ended December fell to $HK253.8m (US$32.8m), a 5 per cent decline from the $HK267.3m recorded in on 1991. The interim dividend is being held at 6 cents a share.

The profits decline was a result of the acquisition of loss-making Chinese language newspaper Wah Kiu Yat Po. An additional factor was a substantially increased tax bill, due to the company having had fully utilised tax losses that had resulted in minimal tax over the previous five years.

Tax increased from $HK37,000 to $HK34.8m, but the company predicted that net profit for the full year would exceed the 1992 level.

After years of inactivity, the publishing group recently signed up a $HK500m deal to sell its premises in Quarry Bay to Swire Pacific, moving its printing and distribution operations to the New Territories.

The company has also purchased a 15 per cent stake in the Bangkok Post in Thailand, while it is currently endeavouring to turn around the ailing Wah Kiu Yat Po.

● Kong Wah Holdings, the Hong Kong consumer electronics group, has ventured into China's container port development through a joint venture with a Shenzhen-based concern, AP-DJ reports from Hong Kong. The venture, Shenzhen Harbour City Industrial Development, will have an initial capital of about 160m yuan (US$27.7m). It will develop container terminals and a warehouse complex in the development zone.

The Chinese partner is Nanhai Oil Shenzhen Development and Service.

# Kirin Brewery sees profits fall despite sales rise

By Emiko Terazono in Tokyo

KIRIN BREWERY, Japan's largest food and beverage company, reported a rise in 1992 sales thanks mainly to its premium beer, Ichiban Shibori, but posted a fall in non-consolidated profits.

Pre-tax profits fell 4.3 per cent to Y82.7bn ($689m), despite a 3.8 per cent rise in sales to Y1,366.1bn. Kirin said sales of its core businesses, including beer and pharmaceuticals, showed a firm increase. After-tax profits improved by 2.2 per cent to Y37.5bn.

Kirin's balance on financial items fell by Y8.8bn, due to a decline in interest income and a Y900bn loss on its stock holdings. However, a 3.4 per cent rise in beer sales to Y1,328bn and a 84.5 per cent jump in pharmaceutical sales to Y18.6bn contributed to the overall sales rise.

Kirin said it would be introducing a new brand called Nippon Blend. Japan's brewers face increasing pressure to produce a number of new brews each year and are now seeing competition from imported brands.

This year, Kirin expects pre-tax profits to rise 0.3 per cent to Y83bn on a 3.2 per cent rise in sales to Y1,410bn.

The brewer warns that increased losses on financial items would depress profits. Annual capital spending is expected to rise 15.2 per cent to Y98bn.

# Sparebanken reduces its losses to NKr169m

By Karen Fossli in Oslo

SPAREBANKEN NOR, Norway's biggest savings bank known internationally as Union Bank of Norway, yesterday announced a significant reduction to NKr169m ($24.3m) in pre-tax losses for 1992, from NKr1.03bn a year earlier.

The recovery was due to an increase in net interest income to NKr2.6bn, from NKr2.5bn, and a rise in operating income to NKr3.7bn from NKr3.3bn. But losses on loans and guarantees stayed at NKr1.5bn, the same as 1991.

Operating losses, including credit losses, fell to NKr271m last year, from NKr907m. The bank said it had reduced costs by 12 per cent to NKr2.4bn.

"The substantial work which was undertaken to reduce costs and improve the bank's operational income yielded results in a difficult market. The bank's income before losses was significantly improved," Sparebanken Nor said.

Operating profit, before credit losses and write-offs, more than doubled to NKr1.3bn, from NKr602m in 1991.

Sparebanken Nor said the domestic economic situation last year was weak and that bankruptcies had risen to a record level as property prices continued to fall.

The bank said it would make a loss for 1993 but that this would show another substantial reduction. Last year, Sparebanken Nor improved its capital adequacy to 9.2 per cent of risk-weighted assets, from 6 per cent in 1991.

The bank said that the past year had seen reduced demand and tougher competition.

● Alubaf Arab International Bank (AAIB) returned to profit in 1992 after heavy losses in the previous two years caused by the Gulf crisis, Reuter reports from Manama. The Bahrain-based offshore bank said net profit was $512,000, compared with losses of $27.3m in 1991 and $64.5m in 1990.

AAIB, now part of the Libyan Arab Foreign Bank group, has used its entire paid-up capital and reserves to write-off accumulated losses.

# Malaysia's UMW falls back 34%

By Kieran Cooke in Kuala Lumpur

UMW HOLDINGS, one of Malaysia's biggest motor vehicle assemblers and heavy equipment distributors, has announced a 34 per cent drop in pre-tax profits to M$137.6m (US$52m) for 1992.

UMW says government measures to curb consumer spending and control inflation, particularly restrictions on hire-purchase agreements, caused a sharp drop in vehicle sales and profits.

UMW says vehicle sales are likely to pick up with the recent lifting of some of these restrictions.

UMW, the listed subsidiary of state-owned Permodalan Nasional, is one of the main partners, along with Daihatsu of Japan, in Malaysia's recently-announced second national car project. The initial cost of the new car project is put at M$400m.

Malaysia already produces the Proton car in co-operation with Mitsubishi.

# Genting invests in Subic Bay

By Kieran Cooke

GENTING, the Malaysian conglomerate with a minority stake in Lonrho of the UK, is one of a group of Malaysian companies planning to invest nearly US$100m in recreation facilities at Subic Bay, the former US naval base in the Philippines.

Genting and Resorts World, a sister company, will be lead investors in developing a 400-room hotel, a golf course, a casino and various other entertainment facilities at Subic.

In the year to December 1991, most of Genting's pre-tax profits of M$581.5m (US$221m) came from Malaysia's only casino, outside Kuala Lumpur.











LEGAL

## NOTICE UNDER SECTION 11(2) OF THE ELECTRICITY ACT 1989

The Director General of Electricity Supply (hereafter referred to as "the Director") pursuant to section 11(2) of the Electricity Act 1989 (c.29) (hereafter referred to as "the Act") hereby gives notice as follows:

(1) He proposes to make modifications to Condition 4, 4A, 4C and 4E (being part of the charge restriction conditions) of the licence which has been granted under section 6(1)(b) of the Act to The National Grid Company plc ("the licensee");

(2) The reasons why he proposes to make the modifications and their effect were published by the Director in a statement on 7 July 1992;

(3) In summary the effect of the modifications will be to amend the relevant Conditions in relation to the year commencing on 1 April 1993 and subsequent years by providing:

(i) predetermined values for "system maximum ACS demand";

(ii) that the Retail Price Index element of the price control formula should be calculated on a previous year basis (rather than an estimate of the current year) and averaged over six months;

(iii) that Xg means three;

(iv) that in the price control formula, Pt-1 for the year 1993/4 should be fixed at £21.496; and

(v) that the date on which the licensee can next require a review of the price control provisions should be 31 March 1997.

A copy of the statement of 7 July and of the current draft of the modifications can be obtained (free of charge) from the Office of Electricity Regulation.

Any representations or objections to the proposed modifications may be made on or before 23 March 1993 to the Director at the Office of Electricity Regulation, Hagley House, 83-85 Hagley Road, Edgbaston, Birmingham B16 8QG.

Dr E C Marshall
Authorised on behalf of the
Director General of Electricity Supply
19 February 1993

## INTERNATIONAL CAPITAL MARKETS

# Strong demand for Sweden's $2bn global offering

**By Antonia Sharpe**

THE STREAM of large international issues continued yesterday as the Kingdom of Sweden launched its $2bn, 10-year global offering to strong demand.

Meanwhile, Toyota Motor Corp announced that it planned to raise $1.5bn through a five-year offering early next week in what would be the largest corporate deal yet seen in the Eurobond market.

Toyota's offering is expected to be priced to yield around 40 basis points above comparable US Treasuries, which syndicate managers said was fair value in view of the car manufacturer's triple A rating and its scarcity value in the market.

The proposed yield is close to that on Toyota's $1bn five-year Eurobond which was launched last May, the biggest corporate issue currently.

The flood of issues fanned rumours yesterday that a big UK corporate utility or a Scandinavian sovereign was sounding the market for a possible sterling-denominated Eurobond.

Officials at the joint lead underwriters of the Swedish deal, Salomon Brothers and Morgan Stanley, said that demand for the bonds was centred in Europe but that there was also good interest from Tokyo and New York. However, they discounted market talk that the deal would be raised to $3bn.

There were reports that European investors were will-

## INTERNATIONAL BONDS

ing to pay 40 basis points above the the 6¼ per cent US Treasury due 2003, well below the indicated range of 42-45 basis points. This suggested that the deal would be priced at the lower end of the range.

The current fashion of global deals is expected to continue during the next few weeks and the Republic of Italy is said to be considering a dollar global offering.

The World Bank's Y200bn global offering, launched on Wednesday, was priced at 25 basis points over the benchmark Japanese government bond No 145 yesterday. This was at the lower end of the indicated range of 25 to 27 basis points and in line with expectations.

The World Bank also took advantage of investor demand for high-yielding debt instruments by issuing the Eurobond market's first floating rate note based on the yield on 10-year US Treasury bonds. This contrasts with other recent note issues with minimum and maximum coupon levels, which have been tied to short-term interest rates.

An official at Lehman Brothers International, which arranged the $100m five-year note for the World Bank, said that this type of note was attractive to investors who believed that the US yield curve would remain steep or flatten only gradually.

The note was issued at par to yield 50 per cent of the US Federal Reserve's Constant Maturity Treasury plus 145 basis points. The CMT reflects the average blend of 10-year US Treasuries, currently at 6.29 per cent.

The minimum coupon on the notes is 4.6 per cent, which compares with three-month dollar Libor of 3.25 per cent, and the maximum is 25 per cent. By late yesterday, the bonds had not been freed to trade.

Lehman Brothers also provided the market's other colourful issue, a $125m five-year offering for the Mexican company, Gruma, the world's largest tortilla manufacturer. Gruma generates $300m annually in the US.

The bonds were priced to yield 445 basis points above the 5⅞ per cent US Treasuries due 1998, in the middle of the indicated range of 430-455 basis points.

An official at Lehman said that price was chosen so that both the issuer and the investors could share the impact of the rise in the underlying US bond prices yesterday.

She added that the yield was close to that of other dollar-denominated Mexican corporate paper.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees | Book runner |
|---|---|---|---|---|---|---|
| **US DOLLARS** | | | | | | |
| Kingdom of Sweden(a,b) | 2bn | (b) | (b) | Mar.2003 | 0.35/0/3 | Salomon Brothers Int./MSI |
| Thames Investments No.2(c)‡ | 125 | (c) | 100 | Mar.1997 | 0.25/0.125 | Samuel Montagu |
| World Bank(d)‡ | 100 | (d) | 100 | Mar.1998 | 0.4/0.25 | Lehman Brothers Int. |
| Credito Argentino(a,e) | 75 | 10 | 98.343 | Mar.1996 | - | Citicorp Investment Bank |
| **YEN** | | | | | | |
| Kobe Steel | 30bn | 5.1 | 101.8 | Jun.2000 | 1.875/1.5 | Nikko Europe |
| Kobe Steel | 30bn | 4.7 | 101.725 | Jun.1998 | 1.875/1.725 | Nomura Int. |
| **FRENCH FRANCS** | | | | | | |
| CNA(f) | 2bn | 8 | 99.57 | Mar.2004 | 0.35/- | Paribas Cap.Mkts. |
| **CANADIAN DOLLARS** | | | | | | |
| Nordic Investment Bank | 300 | 7.5 | 101.205 | Mar.1998 | 1.875/1.625 | Goldman Sachs Int. |
| Asian Development Bank | 250 | 7.875 | 100.975 | Mar.2003 | 2/1.875 | ScotiaMcLeod |
| **NEW ZEALAND DOLLARS** | | | | | | |
| State Bk.of New South Wales | 50 | 8 | 101.8 | Apr.2003 | 2.125/1.375 | Hambros Bank |
| **SWISS FRANCS** | | | | | | |
| Kingdom of Belgium★ | 200 | 5 | 101.75 | Apr.1998 | - | UBS |

Final terms and non-callable unless stated. ★Private placement. ‡Floating rate note. a) Semi-annual coupon. b) Priced today to yield 42-45bp over the 6.25% Feb.2003 US treasury. c) Coupon pays 4% fixed until 1/9/93 and 6-month Libor + 0.35% thereafter. Coupon payments cannot fall below or exceed 0.5% above the previous coupon. d) Coupon pays (0.5 × the 10-year CMT) + 1.45%; minimum 4.6%, maximum 25%. e) Puttable on 3/3/95 at 98.03%. f) Borrowers full name: Caisse Nationale des Autoroutes.

# Kuwaitis concede serious damage from KIO row

**By Peter Bruce in Madrid**

THE KUWAITI authorities have for the first time conceded that the row surrounding investments by the Kuwait Investment Office (KIO) in Spain is seriously damaging the emirate's standing in international credit markets.

Mr Abdullah al-Gabandi, the head of the Kuwait Investment Authority (KIA, the KIO's controlling body), told a group of Spanish journalists in Kuwait that Kuwait had been forced to postpone a borrowing in the international capitals planned for December.

"The loss of image provoked by the KIO case and the way it has been treated makes it difficult to obtain credits and those that are available would be very expensive," Mr al-Gabandi was quoted as saying.

The KIA negotiated a $5.5bn loan for Kuwait soon after the war that ended the Iraqi invasion in 1991. But after new managers took over the KIO last May they quickly became involved in a vitriolic and public row over what they allege was $5bn lost by their predecessors in risky investments in Spain. Bankers in London said yesterday the row had "inevitably" undermined the emirate's position in debt markets.

There are few signs of the row subsiding although two attempts to bring criminal charges against former managers of the KIO and its Spanish operations have been rebuffed this year by the Spanish courts for lack of evidence.

The new KIO management says it is determined to continue pursuing Sheikh Fahad al-Sabah, the former KIO chairman, Mr Fouad Jaffar, its former general manager, and Mr Javier de la Rosa, the former manager of their Spanish operations, for alleged fraud.

While this effort will keep the affair public, it appears increasingly to have Kuwaiti political rather than legal objectives. Mr al-Gabandi, who said Kuwaitis were "furious" about what had happened in Spain, pointedly did not accuse the former KIO management of illegalities. Instead, he said the KIA's investment guidelines had been ignored. The KIO should have contracted an institution and not Mr de la Rosa to run its affairs in Spain, he said.

These remarks reflect the marked differences of opinion now emerging from Kuwait on just how the KIO's Spanish debacle should be concluded. The new KIO management currently reports directly to the finance minister and is being encouraged to keep up public pressure on the former KIO management.

In contrast, Mr al-Gabandi appears to favour an internal, less public, settlement which would in effect shift Kuwait's sensitive finances away from public scrutiny.

The desirability of the KIA taking control of all of the KIO's direct investments overseas has been canvassed inside Kuwait in recent weeks.

# Treasuries rise across the board amid heavy buying

**By Patrick Harverson in New York and Tracy Corrigan in London**

THE US Treasury market yesterday responded enthusiastically to President Clinton's economic plan, with prices rising sharply across the board

## GOVERNMENT BONDS

amid heavy domestic and foreign buying.

By midday the benchmark 30-year government bond was up $\frac{29}{32}$ at $101\frac{1}{16}$, yielding 7.034 per cent. At the short end of the market, the two-year note was up ⅛ at $100\frac{15}{32}$, to yield 3.946 per cent.

The State of the Union address on Wednesday night was well received by bond investors, who believe that the deficit-cutting part of the president's economic plan, in particular the tax increases and selective spending cuts, stands a reasonable chance of passing through Congress almost intact.

Before the speech some investors had worried that the package would lack credibility, but bond market analysts said that Mr Clinton's forthright account of the economic troubles facing the country, and his outline of the solutions, convinced investors that deficit reduction can work, and that the planned tax increases will be implemented.

The latter is doubly positive for the Treasury market because higher taxes could slow the rate of economic growth and subdue inflation.

Bond prices rose strongly despite economic news that was bearish for the market. The day's statistics included a 19,000 drop in weekly jobless claims, a larger-than-expected 0.5 per cent increase in January consumer prices, and a 0.4 per cent rise in January industrial output.

■ BETTER-than-expected UK jobs data prompted little enthusiasm in the gilts market yesterday, where prices ended virtually unchanged.

The number of unemployed rose by 22,100 in January, keeping the seasonally adjusted total just below the 3m level.

The Bank of England's first inflation report earlier this week has also deflated sentiment by suggesting that an early interest cut is not on the cards, dealers said.

On the London International Financial Futures and Options Exchange, the long gilt future ended at 102-27, down $\frac{1}{32}$ from Wednesday's close, and off earlier highs.

However, the two tap stocks announced on Tuesday afternoon were partly sold yesterday, dealers said.

■ GERMAN government bonds firmed slightly yesterday, on market speculation that money supply data due early next week will be positive for the bond market. This would mean improved prospects for further interest rate cuts.

■ JAPANESE government bonds continued to rally on strong investor demand, but came off the highs of the day as investors took profits. The recent rally in Japanese government bonds has been helped by the strengthening of the yen against the US dollar.

The June futures contract opened at 109.94 and traded up to a high of 110.15 before ending at 109.96.

■ ITALIAN bonds ended lower due to further political uncertainty, after the Liberal party threatened to leave the coalition government. On Liffe, the March BTP ended 19 basis points lower at 95.93 and was poised to test the next support level at 95.70, some said.

### FT FIXED INTEREST INDICES

| | Feb 18 | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt.Secs(UK) | 96.13 | 96.00 | 95.95 | 95.85 | 95.72 | 88.37 | 96.13 | 85.11 |
| Fixed Interest | 111.83 | 111.75 | 111.69 | 111.62 | 111.18 | 101.40 | 111.83 | 97.15 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 111.83 (18/2/93), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| Indices* | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Feb 11 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 138.6 | 149.0 | 143.2 | 158.2 | 138.5 |
| 5-Day average | 145.1 | 145.7 | 148.1 | 152.0 | 149.7 |

* SE activity indices rebased 1974

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 10.000 | 10/02 | 110.0021 | -0.280 | 8.46 | 8.59 | 8.78 |
| BELGIUM | | 9.000 | 03/03 | 106.7500 | - | 7.71 | 7.71 | 7.71 |
| CANADA * | | 7.250 | 06/03 | 98.1500 | +1.300 | 7.51 | 7.86 | 7.97 |
| DENMARK | | 8.000 | 05/03 | 96.2000 | -0.050 | 8.73 | 8.73 | 8.44 |
| FRANCE | BTAN | 8.500 | 03/97 | 102.2488 | -0.001 | 7.82 | 7.87 | 7.73 |
| | OAT | 8.500 | 11/02 | 105.3900 | +0.180 | 7.69 | 7.82 | 7.74 |
| GERMANY | | 8.000 | 07/02 | 107.1200 | +0.190 | 6.94 | 7.02 | 7.10 |
| ITALY | | 12.000 | 06/02 | 96.0250 | -0.270 | 13.14† | 13.22 | 13.38 |
| JAPAN | No 119 | 4.800 | 06/99 | 104.2817 | +0.104 | 3.95 | 4.03 | 4.22 |
| | No 145 | 5.500 | 03/02 | 109.0145 | +0.249 | 4.14 | 4.23 | 4.35 |
| NETHERLANDS | | 8.250 | 06/02 | 109.2900 | -0.170 | 6.88 | 6.92 | 7.09 |
| SPAIN | | 10.300 | 06/02 | 92.7250 | -0.350 | 11.59 | 11.37 | 12.06 |
| UK GILTS | | 7.250 | 03/98 | 102-05 | +2/32 | 6.75 | 6.81 | 7.24 |
| | | 9.750 | 08/02 | 112-06 | +3/32 | 7.82 | 8.10 | 8.42 |
| | | 9.000 | 10/08 | 106-19 | +3/32 | 8.37 | 8.65 | 8.82 |
| US TREASURY * | | 6.250 | 02/03 | 100-14 | +30/32 | 6.19 | 6.41 | 6.63 |
| | | 7.125 | 02/23 | 101-02 | +2/32 | 7.04 | 7.26 | 7.35 |
| ECU (French Govt) | | 8.500 | 03/02 | 103.2750 | +0.490 | 7.98 | 8.12 | 8.22 |

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# Transaction tax opposed

US SECURITIES exchanges are responding aggressively to US budget proposals that would impose transaction taxes on securities and derivatives markets, writes Laurie Morse in Chicago. US futures and securities exchanges, as well as the Futures Industry Association and the Securities Industry Association are banding together to fight the proposal.

"We're opposed to industry-specific taxes," said a spokesman for the Chicago Mercantile Exchange, "They could put us at a competitive disadvantage internationally, and they could hamper our liquidity."

Congressman Mr Daniel Rostenkowski said in a letter to the Treasury Secretary, that while such taxes may be perceived as a tax on the wealthy, the burden "ultimately will fall on the millions of middle-class pension fund beneficiaries and small investors".

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 18

[illegible]

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 40 | 16 | 21 |
| Other Fixed Interest | 4 | 0 | 11 |
| Commercial, Industrial | 413 | 145 | 861 |
| Financial & Property | 295 | 45 | 456 |
| Oil & Gas | 21 | 19 | 44 |
| Plantations | 0 | 0 | 8 |
| Mines | 24 | 25 | 90 |
| Others | 42 | 48 | 26 |
| Totals | 839 | 298 | 1,517 |

### LONDON RECENT ISSUES

#### EQUITIES

[illegible]

#### FIXED INTEREST STOCKS

[illegible]

#### RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. e Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ¶ Units comprising 1 ord. and 1 zero pref. share.

### TRADITIONAL OPTIONS

● First Dealings Feb 8
● Last Dealings Feb 19
● Last Declarations May 20
● For settlement June 1

*3-month call rate indications are shown in Saturday editions.*

Calls in: **Alphameric, Anglo Pacific, ASDA, Babcock, Betterware, Channel Hldgs., Costain, Dorling Kind., Ferranti, MFI, Pizza Express and Premier Cons.** Puts in: **Ibstock John. and Spring Ram.** Puts & Calls: **ASDA and Unitech.**

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

[illegible]

February 18 Total Contracts 34,174
Calls 27,536 Puts 6,638
FT-SE Index Calls 10,714 Puts 3,319
Euro FT-SE Calls 1,498 Puts 422
*Underlying security price † Long dated expiry mths
Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

#### PRICE INDICES

| | | Thu Feb 18 | Day's change % | Wed Feb 17 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | **British Government** | | | | | |
| 1 | Up to 5 years (24) | 129.17 | +0.04 | 129.12 | 1.62 | 1.72 |
| 2 | 5-15 years (22) | 148.10 | +0.08 | 147.98 | 1.57 | 2.61 |
| 3 | Over 15 years (8) | 155.98 | +0.12 | 155.79 | 1.20 | 1.80 |
| 4 | Irredeemables (6) | 177.30 | +0.13 | 177.07 | 3.20 | 0.00 |
| 5 | All stocks (60) | 144.31 | +0.07 | 144.20 | 1.56 | 2.16 |
| | **Index-Linked** | | | | | |
| 6 | Up to 5 years (2) | 183.30 | -0.10 | 183.49 | 0.01 | 1.51 |
| 7 | Over 5 years (12) | 170.42 | +0.08 | 170.29 | 0.59 | 0.87 |
| 8 | All stocks (14) | 170.98 | +0.05 | 170.89 | 0.52 | 0.96 |
| 9 | Debs & Loans (61) | 126.62 | +0.18 | 126.40 | 1.88 | 1.86 |

#### AVERAGE GROSS REDEMPTION YIELDS

| | | | Thu Feb 18 | Wed Feb 17 | Year ago (approx) |
|---|---|---|---|---|---|
| | **British Government** | | | | |
| 1 | Low | 5 years | 6.37 | 6.38 | 8.57 |
| 2 | Coupons | 15 years | 7.84 | 7.84 | 9.12 |
| 3 | (0%-7¾%) | 20 years | 8.17 | 8.17 | 9.12 |
| 4 | Medium | 5 years | 6.96 | 6.98 | 9.37 |
| 5 | Coupons | 15 years | 8.35 | 8.36 | 9.19 |
| 6 | (8%-10¾%) | 20 years | 8.52 | 8.53 | 9.16 |
| 7 | High | 5 years | 7.15 | 7.16 | 9.61 |
| 8 | Coupons | 15 years | 8.63 | 8.63 | 9.29 |
| 9 | (11%-) | 20 years | 8.72 | 8.71 | 9.23 |
| 10 | Irredeemables (Flat Yield) | | 8.63 | 8.64 | 9.32 |
| | **Index-Linked** | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 1.99 | 1.95 | 3.61 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.52 | 3.53 | 4.28 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.10 | 1.06 | 2.92 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.33 | 3.33 | 4.09 |
| 15 | Debs & | 5 years | 8.65 | 8.65 | 10.85 |
| 16 | Loans | 15 years | 9.46 | 9.47 | 10.62 |
| 17 | | 25 years | 9.69 | 9.68 | 10.45 |

Advance to £46.3m helped by cut in bad debt provisions to £7m

# Kleinwort Benson ahead 66%

By Robert Peston, Banking Editor

KLEINWORT Benson's pre-tax profits recovered sharply in 1992, mainly because of a drop in bad debt provisions from £39m to £7m.

The merchant banking group also disclosed that Mr David Peake, its chairman, would retire at the next annual meeting on April 28, to be replaced by Lord Rockley, currently a vice chairman.

Profits of the merchant banking group increased 66 per cent to £46.3m. However, after-tax profits rose by only 10 per cent to £21.3m because Kleinwort was forced to take an exceptional tax charge of £13.6m in its profit and loss account as an adjustment to the accrued tax losses it carries in its balance sheet.

Mr Jonathan Agnew, Kleinwort's chief executive, insisted that the exceptional tax charge was an accounting nicety: "It has no economic effect on us."

The charge relates to financial transactions carried out by Kleinwort in 1988 with the purpose of generating tax losses. It then included these assets in its balance sheet as an asset.

In preparing the latest accounts, Kleinwort re-examined the transactions and decided the losses should be removed from the balance sheet.

However, Mr Agnew said that Kleinwort would still be able to benefit from the losses by reducing the tax it pays in future. The losses were now a contingent off-balance sheet asset.

The growth in 1992 pre-tax profits was held back by a £10m charge to cover the costs of the group's surplus office space in the UK and the US.

The merchant banking and securities division pushed up profits from £24.7m to £38m, while the investment management and private banking division suffered a small drop from £24.4m to £22.1m.

Within the merchant banking and securities operations, Kleinwort's Japanese securities business made a loss and there was also a drop in profits from the corporate finance department, which is the traditional heart of the group.

There were sharp profit increases in the treasury operations and the financing business.

The proposed final dividend is maintained at 10.7p, giving an unchanged total for the year of 16p.

Earnings per share, excluding the exceptional tax charge, increased from 14.3p to 26.6p.

Mr Peake, 58, said he had been thinking about retiring "for some months", but other board members were putting no pressure on him to go.

He preferred to go now, to allow Lord Rockley, who is a few months older than him, to do the job for a few years.

Lord Rockley is seen by Kleinwort executives as chairman for a transitional period, while the next generation of senior Kleinwort executives acquire more experience.

However, some Kleinwort executives said they were slightly surprised that Mr Peake had not been replaced by Mr Simon Robertson, 51, who was appointed deputy chairman last year.

See Observer

# Zantac continues to lift Glaxo

By Paul Abrahams

ZANTAC, an ulcer treatment and the world's best-selling drug, was the main reason for Glaxo's surprisingly good interim results, announced yesterday.

The drug's sales increased by £145m to £1.03bn, providing 45 per cent of Glaxo's turnover growth.

Dr Ernest Mario, chief executive, said: "People have been talking about the demise of Zantac for the last six years. It's still doing well and it's continued improvement is not a flash in the pan."

Zantac's growth had been assisted by strong expansion in the US (up 14 per cent) and Europe (up 18 per cent).

Although the drug was losing some world market share – 39 per cent in 1992, compared with 40 per cent in 1991 – the market was still growing at 14 per cent, said Dr Mario.

Sales of respiratory products increased by 9 per cent to £512m, representing 22 per cent of group turnover. The overall respiratory market is growing at 13 per cent.

Dr Mario said there had been a 15 per cent fall in sales in the US due to wholesale stocking in anticipation of price increases. European respiratory sales increased by 16 per cent.

Sales of Ventolin, Glaxo's old asthma treatment, fell 1 per cent (4 per cent at constant exchange rates) to £239m. Beconase, the newer asthma medicine, increased 9 per cent to £223m.

Serevent, Glaxo's latest asthma treatment, added £9m sales to total £32m. Mr Mario said this would be a big product – it had yet to be launched in the US, Japan or Germany, the world's three largest markets.

Antibiotic sales increased by 21 per cent per cent. Zinnat, an oral antibiotic, increased sales by 49 per cent to £160m.

Sales of Zofran, the anti-nausea treatment, rose 36 per cent, from £120m to £163m. US sales increased by 42 per cent.

Imigran, a migraine drug also known as Imitrex, generated sales of £35m. The full-year figures will include the first contributions from Germany and the US.

The migraine treatment has been predicted by analysts to achieve outstanding sales. However, Dr Mario warned the drug's use would not grow explosively. The speed of registration had been disappointing, particularly in the US.

Research and development expenditure grew to £335m (£277m) and was expected to reach about £735m (£595m) by the year end. The group spends more than any other pharmaceuticals company on R&D.

Operating margins for the first six months were 33 per cent, but were likely to fall to 31 per cent because of additional marketing costs associated with new drug launches, particularly in the US.

Investment income from Glaxo's £1.5bn cash-pile was £79m (£77m).

Dr Mario said if the group could find a reasonable investment for its cash it would make it. There was little point in distributing funds to shareholders because of the advanced corporation tax implications.

Earnings per share increased by 16 per cent from 16.7p to 19.4p, while earnings per ADR rose 17 per cent to 68 cents (58 cents). The dividend is an improved 7p (6p).

# Control Securities' shareholders funds deficit

By Maggie Urry

CONTROL SECURITIES, the property and leisure group, said yesterday that a further write-down of property values and other exceptional costs totalling £68.4m, had left the company with a deficit on shareholders' funds of £31.8m.

It called an extraordinary meeting for March 17 to ask shareholders to support the board's continued discussions with banks, bondholders and creditors. The shares have been suspended since October 1991.

Mr Sydney Robin, chairman, said that the group's "complex and delicate" restructuring was taking "considerably longer than had been anticipated". He said there were still some significant issues to be resolved.

However, he said that holders of the group's SFr200m (£92m) of bonds would be offered equity in place of a quarter of the principal amount and a new repayment date on the rest of 2000. The two issues, each of SFr100m, have maturities in 1994 and 1997.

Banks which lent to Control Securities have security over the group's assets and are not expected to swap any debt for equity. Control Securities is also negotiating with Bass, the leisure group, from which it bought some Spanish hotels in 1989. Bass was due to receive a final instalment of £11m last September, but has not yet been paid.

The group announced interim results, for the period to September 30, showing trading profits slightly lower at £17.2m (£17.7m) on sales 11 per cent higher at £56.2m.

However, interest charges of £17.2m (£12.8m) and the exceptional costs left losses of £68.5m before tax (profit £4.4m). The net loss was £62.1m or 16.73p a share (profit £2.1m and earnings per share of 0.56p).

The exceptional costs included a £52.8m write down of property values. This largely related to a valuation done at December 31 on a "Red Book" basis – complying with the Royal Institution of Chartered Surveyors guidance on property valuation – necessary before the company's shares could be relisted.

The valuation basis assumes sales of properties within a short time period, while Control Securities' business plan envisages a controlled sale of assets over a longer period. Mr Robin said "this valuation basis has been the prime cause of the requirement for additional write-downs against UK property values." He said the directors believed they could realise better values.

The exceptional items also included a debit of £14.4m covering the effect on the principal value of the Swiss franc bonds caused by sterling's devaluation. The group had covered its exposure to the Swiss franc until mid-August, but could not continue to do so after that.

At the trading level, the property division contributed £6.6m (£7.5m), mainly because of a fall in rental income as some properties were vacated when tenants failed. The leisure division made an unchanged £10.6m.

See Observer

# Banks want to maintain Mirror's Labour stance

By Andrew Bolger and Robert Peston

Ashley Ashwood

Lord Hollick: rejects reports of wanting control of MGN

THE FOUR banks which are majority shareholders in Mirror Group Newspapers said yesterday that they would be "very concerned" if the political stance of the newspaper were altered from its tradition of supporting the Labour Party.

National Westminster, Midland, Goldman Sachs and Lloyds have indicated that they would become more actively involved in MGN's affairs if they feared that the business was becoming unstable as a result of editorial changes.

The banks' comments come against the background of criticism of MGN from the Labour Party, following the resignation this week of Mr Alastair Campbell, the Daily Mirror's political editor.

Meanwhile, MGN last night denied that there was a boardroom rift over Mr Campbell's departure, which has also attracted criticism from Mirror journalists.

Mr Charles Wilson, MGN's editorial director, said there was no split between Lord Hollick, the Labour peer, and Mr David Montgomery, brought in last October to become MGN's chief executive.

Lord Hollick, chairman of the media and finance group MAI and Meridian, the new television station in the south of England, has rejected recent reports that he wants control of MGN. He declined to comment yesterday.

Mr Wilson said: "Lord Hollick is in a difficult position as a member of the Labour Party and a peer. He's with people at Westminster who are having their concerns agitated by elements within the Mirror – and I don't mean at boardroom level."

He added: "There is absolutely no indication at all that this paper is drifting away from the Labour Party. We totally support the Labour Party."

The future of the the former Maxwell newspaper group lies in the hands of the four banks, whose 54 per cent stake is held by administrator Mr John Talbot of Arthur Andersen.

The banks are communicating their views to the MGN board through Mr Talbot.

They received the shares as security for loans. Yesterday the shares closed 2p higher at 109p, valuing the group at £430m.

The figures compared with a 1991 flotation price of 125p, when the group had a market capitalisation of £501m.

MGN's shares resumed trading last July at 53p, but have climbed steadily since October as investors have been attracted by the cost-savings which Mr Montgomery pledged to make.

However, analysts said they would be concerned if the new management team's actions threatened MGN's valuable franchise on the left of the political spectrum.

More than 150 Labour MPs signed a Commons motion criticising Mr Montgomery's approach following the resignation of Mr Campbell.

Mirror journalists called for the resignation of Mr Montgomery and blamed him for the paper's continuing fall in circulation.

# Takeover Panel poised to freeze Airtours bid timetable

By Richard Gourlay

THE TAKEOVER Panel is likely either today or on Monday to freeze the timetable of Airtours' hostile £215m bid for Owners Abroad, its rival tour group.

Owners Abroad would have had to produce its final Day 39 defence document on Monday, but the Office of Fair Trading has yet to forward its recommendation to the trade and industry secretary as to whether the bid should be referred to the Monopolies and Mergers Commission.

In the event that the bid is referred, the offer will lapse; if the bid were not referred, Owners Abroad would normally have two days to produce its defence after the trade secretary delivered his ruling.

Removal of the threat of an MMC referral would refocus shareholder attention on the value of Airtours share offer and partial cash alternative.

It would also throw a spotlight back to the intentions of Thomas Cook, which is controlled by WestDeutsche Landesbank, the German state bank which has large interests in the travel industry.

Thomas Cook's proposed tie-up with Owners Abroad, in which it would have made a net £2m injection of cash in return for a 10 per cent stake in Owners Abroad, had been put on hold until after shareholders have decided whether to reject the Airtours' bid.

However, some City observers have begun to question whether Thomas Cook would not tear up the existing strategic alliance agreement after Airtours' final offer, in favour of buying a blocking – though not controlling – stake in Owners Abroad.

Schroders has been advising Thomas Cook on its banking side and Thomas Cook said it appointed James Capel as broking advisers early in the new year.

James Capel advised Thomas Cook when Midland Bank sold the travel group to the Germans in 1991.

# Ward loses £5m as purchaser confidence sags

Ward Holdings, the housebuilder and property group, blamed the severe recession for a pre-tax loss of £5.29m after exceptional charges of £2.07m for the year to October 31.

This compares with a deficit of £14m after exceptional charges of £12.2m, relating to the write-down in the value of the land bank.

Turnover remained static at £29.7m.

The final dividend is passed again – there was no interim. Losses per share were 8.8p (19.1p).

Although Ward sold 10 per cent more houses than in the previous year, it said there had been a further loss of house purchaser confidence. This was due to falling house prices, increases in unemployment and business failures, and exceptionally high levels of house repossessions and mortgage repayment arrears.

The company was unable to dispose of certain investment property to reduce its gearing.

It blamed the "disappointing delay" on prospective purchasers failing to complete after agreeing terms.

Agreement has been reached with its banks to extend its syndicate loans through to May 31 1994.

## DIVIDENDS ANNOUNCED

| | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|
| Alumasc ....int | 3.7 | Apr 15 | 3.55 | - | 11 |
| Eng & Overseas ....fin | nil | - | 0.5 | nil | 1 |
| Glaxo ....int | 7 | Apr 30 | 6 | - | 17 |
| Kleinwort Benson....fin | 10.7 | May 10 | 10.7 | 16 | 16 |
| Leslie Wise ....fin | 2.25 | Apr 15 | 2.25 | 4 | 4 |

Dividends shown pence per share net except where otherwise stated.

## BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- BCE, Fleming High Income Inv Trust.

Finals- Amicable Smaller Enterprises Trust, Fidelity European Values, Foreign & Colonial Inv Trust, Pegasus, Trenc erwood, United Plantations, Yeoman Inv Tr st.

FUTURE DATES

Interims-

| | |
|---|---|
| Barratt Developments | Mar. 24 |
| Dorling Kindersley | Mar. 24 |
| Fleming Emerging Markets | Mar 3 |
| Goodwin | Feb. 26 |
| Paramount | Mar. 2 |

Finals-

| | |
|---|---|
| BICC | Mar 3 |
| Hotspur Inv | Feb. 24 |
| RTZ | Mar. 11 |

# Bellwether backs down from approach

Bellwether Exploration, the Nasdaq-quoted resources company, yesterday announced it had backed down from its hostile approach to Aberdeen Petroleum, the USM-quoted oil and gas group.

Bellwether first approached Aberdeen with merger proposals last month on the basis of 3.75 Aberdeen shares for each of its own.

Aberdeen's shares – which were 11p at the time of the approach – rose ½p to close last night at 15p.

Proceeds of rights issue will be used to fund acquisitions

# Gold Greenlees calls for £15m

By Andrew Adonis

GOLD GREENLEES Trott, the marketing services group, is raising about £14.7m net in a rights issue to fund acquisitions.

The 1-for-3 issue of up to 6.49m shares is priced at 235p. The shares shed 12p yesterday to close at 288p.

Proceeds of the rights, a rarity in the depressed advertising sector, are to be used for acquisitions planned in the next six to nine months.

Before allowing for the issue, net debt was forecast to be about £14m by the April year-end. GGT has negative net assets.

Analysts believe the company is looking to acquire small agencies with a European focus, either as subsidiaries or partners, in a move to balance its growing activities in the US.

At £4.5m, GGT's pre-tax profits forecast for this year would be £900,000 up on last year (excluding exceptional profits), but well below 1990's £7.68m.

Last year's total dividend was 8.3p, with earnings per share of 17.28p. The company's dividend forecast for this year is also 8.3p.

The rights issue is GGT's first for five years. It used its 1988 call to buy Martin-Williams, a Minneapolis agency, as part of an expansion strategy in the US Midwest and south-west.

US earnings last year accounted for half of GGT's gross profits. Among its clients are Coca-Cola, Red Rock cider, Holsten Pils and Cadbury Schweppes.

Mr Michael Greenlees, chairman, said: "Unlike Saatchi's and WPP, we have not gone in for five-year earn-outs, but have paid for purchases over 18 months or less. I want to continue on that basis."

Mr Vignesh Padiachy, media analyst at BZW, said the issue was likely to be well supported by shareholders. "GGT is performing strongly in the US – with margins of 20 per cent against a sector average of 8 per cent – and there is plenty of recovery potential in the UK."

Mr Greenlees said he saw "considerable room for growth" in existing businesses, not least GGT's non-advertising (mainly marketing) activities in the UK, which last year accounted for nearly half of total UK earnings.

The rights issue has been fully underwritten by Kleinwort Benson.

Michael Greenlees: purchases paid for over 18 months or less

# New man and cash call plan at Cupid

By Jane Fuller

THE FORTUNES of Cupid, the loss-making bridal wear company, are being revived by a new man at the top and by £1.9m of new money.

The USM-quoted group yesterday announced Mr Richard Shaw's appointment as chairman and chief executive alongside a rights issue and share subscription.

His aims include expanding Cupid into lingerie and possibly changing its name to help slough off a chequered reputation in the City.

About £1.25m will be raised in the 4-for-9 issue, at 28p a share. Other new shares have been subscribed for by groups of individual investors, including the Shaw family with 4.2 per cent of the enlarged equity and a Guernsey couple called Cairns with 8.5 per cent.

It was also reported that losses for the year to March 31 could total £1.5m, compared with a £867,000 pre-tax profit last year. Early last summer, before the last rights issue, pre-tax profit forecasts were in the £1.5m to £1.7m range.

Cupid's share price, which fell to 35p last week when losses were predicted, had already started to recover on hopes of new investment and new management direction. It gained another 7p to 53p yesterday.

Mr Shaw said post-interest losses were about £800,000.

In the nursery division, two factories had been closed. The head office was also being sold and the operation transferred to the Blackburn factory.

The exceptional costs of these moves, plus pay-offs to former and departing directors, accounted for the remaining £700,000 of expected losses. Mr Michael Murray, the founder, and his wife Sue, also a director, received £100,000 when they departed in December – alongside a profits warning.

Mr Richard Lee, who has been chairman and chief executive in the interim, is also leaving.

# McLeod Russel launches hostile bid for Wheway

By Roland Rudd

MCLEOD RUSSEL Holdings, the paints producer and distributor, yesterday launched a £14m hostile bid for Wheway, the struggling environmental engineering group.

Wheway shareholders are being offered one McLeod share for every 10.

McLeod's shares yesterday fell 2p to 100p; Wheway's rose 1½p to 9p. The offer values each Wheway share at 10p.

The two companies have been in talks since last September. However, McLeod decided to go hostile after failing to reach agreement on price.

Mr Nigel Openshaw, McLeod chairman, said: "Wheway has had a for sale sign up for months. We have tried not to rub their noises in it, but this is a generous offer and we cannot wait any longer."

Wheway responded by urging its shareholders to take no action. Mr Brian Long, who was recently appointed chief executive, said: "We need more time to reflect on possible alternatives."

He made it clear that the company wanted to merge with a "robust partner", but first wanted to see if it could get a better deal for shareholders.

The company is already talking to other interested parties about a possible merger.

Wheway, in need of refinancing after its costly move out of heavy engineering, last year turned in a £3.5m loss after making a £2.8m pre-tax profit the previous year.

Its share price has fallen from more than 140p in 1989 to its current level of 9p.

At the year-end its net borrowings were £16.3m, giving gearing of more than 105 per cent.

McLeod, which has a 2.99 per cent stake in Wheway, increased its pre-tax profit from £4.42m to £5.18m for the year to September 30.

It said an enlarged group would benefit from a rationalisation of costs and the development of Wheway's clean air and environmental engineering businesses.

The enlarged group, on a pro forma basis, would have had a combined annual turnover of more than £123m.

Pro forma combined net assets and borrowings would have amounted to £57.4m and £6.2m respectively.

# Alumasc restricted to £3.8m by reliance on organic growth

By Paul Cheeseright, Midlands Correspondent

GROWTH AT Alumasc, the Kettering-based beer kegs, building products and precision components group, slowed in the first half as pre-tax profits rose by just 3.2 per cent from £3.65m to £3.77m.

In the last full year profits advanced 23 per cent.

Without contributions from the new acquisitions that characterised 1991-92, Alumasc was dependent during the six months to December 31 on organic growth and hence was more susceptible to the weakness of the economy.

Turnover improved to £24.3m against £23.6m. Earnings per share rose to 16.5p (15.8p) and the interim dividend is increased from 3.55p to 3.7p.

Demand for building products, the largest of the group's three operating divisions, slipped as general building activity continued to decline.

However, demand for beer kegs stabilised after a fall during the previous year.

Volume fell slightly in the precision components business, although customers have been placing dies with the company, a prelude to future orders.

The group's financial position remains stable and Mr John McCall, chairman, said it continued to seek acquisitions. Net cash balances rose by £1.5m to £4.9m, producing interest of £148,000.

# Chelsea Building Society tumbles 49%

By John Gapper, Banking Correspondent

THE IMPACT of the slump in the south of England housing market on southern-based building societies was shown yesterday when Chelsea Building Society disclosed a 49 per cent fall to £4.1m in pre-tax profits for 1992.

The society's results are expected to be among the worst reported for last year, although large falls are also expected to be disclosed by the Bristol & West and Cheltenham & Gloucester societies over the next month.

Chelsea's fall in profits, from £8.1m in 1991, was caused by a 60 per cent increase to £37m (£23.1m) in provisions for bad and doubtful debts. Its gross provisions are now set at 2.9 per cent of gross commercial assets.

Operating profits rose 29 per cent to £41.1m (£31.2m), partly because of the widening of margins between savings and lending products in the last quarter of the year. The ratio of costs to income fell to 38.7 per cent (44.2 per cent).

Chelsea – the 17th biggest society with assets of £2.29bn – emphasised that efforts to reduce arrears had led to a 20 per cent cut in borrowers over six months in arrears. It predicted that provisions would be "substantially reduced" in 1993.

Mr Peter Walsh, director and general manager, said Chelsea's provisioning policy had been "very prudent".

# SWP edges ahead to £42,000

SWP Group recovered slightly in the six months to December with pre-tax profits of £42,000, against a previous £31,000.

In the second half of the year to June 30 1992 the USM-quoted supplier of components to the construction industry fell into losses.

Mr Robert Stickings, chairman, said trading conditions were extremely depressed and the fall in the value of the pound had increased costs.

He added that there had been a modest increase in activity in recent weeks, but prospects for the second half were still difficult to assess.

Turnover improved to £3.71m (£3.65m) for operating profits of £126,000 (£98,000). Interest paid rose to £84,000 (£67,000).

Earnings per share were unchanged at 0.1p.

# Leslie Wise falls to £2.5m as increased costs hit margins

By Jane Fuller

INCREASED COSTS, following sterling's devaluation, cut margins at Leslie Wise Group.

Pre-tax profits at the textiles concern fell 12 per cent, from £2.86m to £2.52m, in the year to November 30 in spite of a 20 per cent increase in turnover to £48.7m.

Mr Neil Wise, who took over as chairman at the turn of the year following the death of his father Leslie, said sales had risen from start-up operations and from exports. Overseas sales were ahead 30 per cent at £6.9m.

Mr Wise said the cost of materials bought in dollars or D-Marks had risen by up to 25 per cent. Negotiations with suppliers and switching the country of supply would ameliorate the situation. The price increases passed on to customers might amount to 10 per cent.

Bad debts, including one arising from Berkertex's insolvency, totalled nearly £150,000 and the closure of two out of seven start-up design companies cost a similar amount.

He said bankers to smaller private companies, "who have normally been supportive, are acting mercilessly".

If such a string of short-term problems could be avoided this year, margins could be rebuilt.

Operating profit was just over 2 per cent down at £2.84m. Interest costs rose to £321,000 (£51,000). Debt was increased by £470,000 of final deferred payments on acquisitions dating back to 1988-89. Year-end gearing stood at 40 per cent on shareholders' funds of about £7m.

Leslie Wise supplies retail groups such as Burton and Etam. Mr Wise said there were glimmers of hope of high street recovery but what was needed was a sustained period of buoyant trading.

The final dividend is held at 2.25p to give an unchanged total of 4p. Earnings per share slipped to 4.96p (5.8p).

# VW to control importing of Skodas

By John Griffiths

VOLKSWAGEN yesterday took full control of the import and distribution of Czech-built Skoda cars in the UK, following an agreement which ends months of friction with the previous Czech-owned importer.

The agreement between Volkswagen-controlled Skoda Automobile UK and Skoda (GB), which had imported the cars for more than 20 years, releases the 222-strong dealer network from contractual obligations to Skoda (GB), allowing them to enter contracts with Skoda Automobile UK.

The deal opens the way for Volkswagen, which now controls Skoda and is overseeing a £3.3bn investment programme in models and plant, to pursue its plans to quadruple Skoda's UK sales to 40,000 a year. The agreement means that Skoda (GB), owned by the privatised Motokov International Czech foreign trade agency, will have no role in the business.

Skoda (GB) had been refusing to release dealers from their contracts while it sought a role as sub-contractor to Skoda Automobile UK, which appointed itself as the official importer/distributor in January. In particular, it was anxious to operate, on the VW company's behalf, the import and preparation centre at Kings Lynn, which had employed more than 100 people.

Skoda Automobile UK has opted instead to import the vehicles through Southampton, which handles imports of cars built by SEAT of Spain – also controlled by Volkswagen.

Preparation of both makes at the port has been subcontracted to Southampton Vehicle Terminals with Richard Lawson Car Delivery Group, which is based in Dundee and distributes SEATs from Southampton, taking on Skoda deliveries as well.

# Sinclair Goldsmith in merger talks

The board of Sinclair Goldsmith Holdings, the surveyor, estate agent and ratings consultant, yesterday confirmed that it was in talks regarding a possible merger with Conrad Ritblat, another estate agency.

The shares were suspended at 35p yesterday. This followed a sharp rise over the past week – early last week the shares stood at 20p.

Sinclair Goldsmith reported reduced pre-tax losses of £525,000 (£997,000) in the year to May 31 1992, on turnover down 11 per cent at £2.77m.

The final dividend was omitted leaving a total of 0.5p (2p).

# English & Overseas Properties reduces loss

ENGLISH & Overseas Properties cut pre-tax losses from £2.32m to £707,000 in 1992, after charging exceptional items of £982,000, against £2.48m, a sizeable part of which was provided at the half year.

As indicated at the interim stage, there is no dividend (1p). Losses per share came out at 2.98p (14.24p).

Mr Jim Clark, chairman, said the company had taken steps to reorganise its capital and reserves. Progress had been encouraging with one outstanding matter to be resolved before the company could apply for court and shareholder approval.

He said legal advice received indicated that such a reorganisation should be successful, particularly as E&OP's trade creditors were minimal and the cash position was still strong at £4.7m.

Entering 1993 with the majority of its properties let and substantial cash balances available for new investment, Mr Clark said medium term growth prospects were encouraging.

Mr Clark said opportunities to acquire companies and properties where E&OP could add value were increasing and he believed 1993 could be the "window of opportunity" for such acquisitions.

# Shield reaches new agreement on banking

Shield Group, the estate agency and property company, has reached agreement with one of its bankers.

The bank has agreed to assign to Shield liabilities comprising loans, overdrafts and accrued interest totalling £448,000, owed by certain dormant subsidiaries, in return for £50,000.

The effect is that group pre-tax profits for the year ended March 31 1993 and net assets at that date will be increased by £398,000.

Mr Nicholas Warriner Brown has acquired 300,000 ordinary shares (3.11 per cent) in the company.

# Forward makes £1.7m purchase

Forward Group has bought the business and training assets of Central Circuits Group, a specialist maker and designer of printed circuit boards, from the administrative receivers. Consideration was £1.71m.

A new company, Forward Circuits (Telford), will operated from Central's existing premises in Telford.

## JOBS: Denmark's premier is not the only Scandinavian to take Machiavellian manoeuvres seriously

# The real lessons of 'Yes, Minister'

"YOU wouldn't expect a managerial revolution to start in Scandinavia, but this could be it," the Jobs column remarked to its partner Bill Hall. He just went on tapping his keyboard and peering at his screen. But I wasn't to be deterred.

"You've surely seen the story about Denmark's new premier training his cabinet by making them read *Yes, Minister* scripts?" I persisted...and seemingly got through. "Printed it two weeks back," said Bill, best known for his Observer column on the FT's centre pages, then he added with scarcely a pause:

"What I want to know is why your announcement says your chief executive left amicably when the buzz is he's taken the cash reserves with him, not to mention the chairman's wife" – or some such words, which took me aback until I saw what had happened. In the brief interval, he had put on his telephone headset and begun talking over his tapping to someone else afar off.

His feat at first reminded me of the northern machinist's retort when work-study experts ordered him to operate with both hands at once: "Aye, and if you stick yon broom-handle up my backside, I'll *sweep t'floor as well.*"

My second thought was to give up the struggle of internal communications and beg the ears of you readers instead. After all, it's external communications that are the nub of the managerial revolution which Scandinavian developments might spark.

While it is admittedly hard to credit that a Dane would take lessons from a Swede, such would appear to have occurred. For the Danish Social Democrat premier Poul Nyrup Rasmussen is not the *first Nordic eminence to twig* that the *Yes, Minister* television series – whose manipulations of elected leaders by cunning bureaucrats are usually just laughed at as satirical comedy – is underpinned by something serious indeed.

The same fact was seen beforehand by Sweden's Nils Brunsson, professor of management at the Stockholm School of Economics. What awakened him to the point, though, was not just watching the telly, but the findings of rigorous research.

Accordingly, while he would *agree that top bosses can learn* much from *Yes, Minister* scripts, he'd go farther. In his view, the dangers of being manipulated from below are such that it takes exceptional humility as well as intelligence on the bosses' part to pick out the right lessons, even though they are noted in his book The Organisation of Hypocrisy*, discussed in this corner of the FT in September 1991.

For the benefit of readers not around then, however, I'd better repeat that he thinks the said *dangers are rooted in the growing* need for the heads of companies, let alone countries, to pay heed to external communications. And oddly enough, an illustration arose the other day when partner Hall kindly invited me to a post-toil hobnob with colleagues who cover stock market events.

During the chat, up came the Queens Moat company which, several of us agreed, is certainly no less good than the rival group Forte when it comes to managing hotels. So why, someone asked, have Queens Moat's shares failed to stand up on the market as well as those of its bigger competitor. One reason put forward was that, in contrast to Queens Moat, Forte puts much high-level energy into its relations with investment interests, not least in gently preparing them for glitches.

Even so, keeping the share market sweet is merely a small part of the multiplying demand on companies of appreciable size to woo the approval of influential outsiders. Others include a welter *of variegated pressure groups* together with local, national and yea supranational bureaucracies such as the European Community.

Hence, Professor Brunsson says, jollying along influence-wielders is increasingly becoming a full-time job which, of its nature, must largely be done by high-ranked people. Moreover, besides being potentially at least as decisive, the work involved in external communications differs from that of internally managing an organisation.

Dealing successfully with the outside bodies mainly falls into *the realm of politics, which* means that upper-rank jobs call more and more for political skills in handling the mechanics of human interests, ambitions and alliances, and the multitudinous concatenations of same. Although political skills are *also* useful in managing internally, it takes a markedly different ability to handle the mechanics of making, marketing and delivering goods and services which people will think it worthwhile to buy.

The result is a division of *skills between the externally* focused top tiers of management and the internally centred ranks lower down. True, by comparison with heads of government, chiefs of companies are usually more *closely acquainted what they're* supposed to run. But thanks to fast changing technologies and markets, they are hard-pressed to keep up with developments in the methods by which their outfit's living is earned.

Nils Brunsson therefore argues that the division of skills is likely to widen, with the chiefs of large organisations ever less *capable of knowing what can, let* alone what should be done below. The dilemma is that the selfsame chiefs are viewed as responsible for said doings by the equally decisive external interests. So what, if anything, can be done about it?

Where answers are concerned, the Jobs column's suspicion is that the Swedish professor will part company with the Danish premier. For it looks as though Mr Rasmussen's aim in making his colleagues study *Yes, Minister scripts is that they'll thereby* become knowledgeable enough about Machiavellian mandarins' tactics to outsmart them at their own games, so ensuring they do the government's bidding.

Alas it is an aim which, in Nils Brunsson's view, is doomed to fail. In any complex organisation, he says, it's as good as impossible for people whose jobs depend on fostering external relations to gain sufficient knowledge of internal realities simply to impose their will on the more technically expert staff below. So chiefs of that sort do better to *accept their limitations...which* is where the need for humility as well as intelligence comes in.

Certainly such chiefs must take decisions – that's what the outside stake-holders see as their job. But chiefs should recognise that what they decide will not necessarily or even usually be put into effect, and still more so that attempts to force strict obedience are apt to spawn damaging resistance.

After all, their best ally in their external dealings is a set of technically expert supporters concentrating on keeping the organisation doing what it's best at. So the chiefs should ensure the decisions they take are supportive of that same end. One example Professor Brunsson cites is decisions to do something already being done.

Most importantly, externally focused chiefs should never become involved in the detailed implementation of what they decide, and still less show their approval or the opposite by rewarding or punishing those held responsible. The reason is that, if they do, their most expert underlings will stop concentrating on productive work and start playing internal politics.

**Michael Dixon**

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# Asset Securitisation Analyst

**City** **Dynamic Organisation**

Our client, an internationally renowned organisation in the financial markets, now requires an additional member to join the asset securitisation and structured finance team. The group works on all types of asset backed transactions throughout Europe.

Reporting to a Director in London, the successful candidate will be an integral member of the team, working closely with lawyers, issuers and colleagues. The role will involve complex analysis and presentation of the findings for which excellent written and oral communication skills are essential. Individuals will ideally have several years credit experience, probably gained from within a financial institution although not necessarily in this field of expertise. An additional European language would be advantageous.

Successful applicants must have had experience of working within a team environment and be confident self-starters with the ability to represent our client in a professional manner. An attractive remuneration package, based on a generous basic salary, will entirely reflect experience.

For more information on this exciting opportunity call Ann Semple on 071 831 2000 or write to her enclosing a full curriculum vitae and details of your current remuneration package at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.

**Michael Page City**
International Recruitment Consultants
London Paris Amsterdam Brussels Dusseldorf Sydney

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**PRODUCT CONSULTANT (EUROPE)**

A Financial Software Company is seeking management level applicants to fill the position of Product Consultant – Europe for Electronic Cash Management Services. The position will support software sales to financial institutions in Europe, Middle East & Africa. Applicants must have extensive knowledge of global electronic cash management services, global payment systems and trade finance. Applicants must have a minimum of 10-15 years combined experience in electronic banking and cash management as Product Managers in wholesale banking operations and software development project management. Hands-on experience with at least two electronic cash management systems is required. The position requires travel throughout the aforementioned regions.

Replies should be sent, enclosing a detailed CV and salary history to:

*Box A724, Financial Times, One Southwark Bridge, London SE1 9HL.*

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**£13,500 + BONUS INVESTMENT MANAGEMENT**

Two numerate graduates required by U.S. investment manager. Entry level candidates will support day-to-day portfolio management operations including trade settlements, performance calculations and client assistance.

Non-smokers please.

Send curriculum vitae with telephone number to:

**Amerindo Advisors (UK) Limited**
**17a Curzon Street**
**London W1Y 7FE**

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# UK & OVERSEAS EQUITIES

**London-based**
**Attractive salaries + financial sector benefits**

United Friendly Insurance is one of the UK's most successful insurance companies, currently managing assets of over £2 billion. The established investment team is now looking to recruit four experienced individuals to maintain the superior investment performance.

**Portfolio Manager (UK)**

Reporting directly to the Senior Portfolio Manager (UK Equities), you will make a major contribution to the management of UK Equity Funds of around £1.1bn, including the evaluation of stockbrokers' and analysts' views, stock selection and dealing on behalf of the Funds. You must have an analytical background with at least six years' experience in UK Equities including three years' in investment management.

**Assistant Portfolio Managers for Europe and North America**

Reporting directly to the Portfolio Managers, Europe and North America, you will assist in the management of the Equity Funds, including country/sector strategy, stock analysis and share dealing.

A graduate and IIMR-qualified, you must have at least three years' investment experience, well-developed analytical skills, and some knowledge of European or North American Markets. Computer literacy and some fund management experience would be an advantage.

**Investment Analyst (UK)**

The main focus of this role will be to carry out detailed analysis and to report on companies and sectors. A graduate with at least three years' investment experience gained in UK Equities, you must have excellent analytical skills and the ability to present concise reports.

Please send full career details, indicating current salary, to Ms Barbara Agyeman, Personnel Officer, United Friendly Insurance plc, 42 Southwark Bridge Road, London SE1 9HE.

**United Friendly Insurance plc**

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بنك القاهرة السعودي

# SAUDI CAIRO BANK

**JEDDAH, SAUDI ARABIA**

## TREASURY DEPARTMENT

As part of its continued expansion plans Saudi Cairo Bank, a leading Commercial Bank in Saudi Arabia, is seeking to recruit highly qualified, experienced and self-motivated personnel for the following positions at its Head Office in Jeddah.

**CHIEF DEALER – FOREIGN EXCHANGE**

* Minumum of 7 years trading experience in all FX products, including options, with an active market making Bank in a major financial centre
* Team leader/motivator with consistent profit record from inter-bank trading

**SENIOR DEALER-FORWARD FOREIGN EXCHANGE**

* Minimum of 5 years trading experience in all FX products, with main emphasis on forwards in the major currencies
* A consistent profit record from position taking

**CHIEF DEALER-TREASURY MARKETING**

* Minimum of 7 years experience in the Treasury Department of an active trading Bank in a major financial centre of which at least 3 years have been involved in marketing a full range of Treasury products to Corporate and high net worth individual clients
* An in-depth knowledge of all foreign exchange and money market products, especially derivatives with the ability to sell them to clients for hedging and trading purposes

**SENIOR DEALER - CAPITAL MARKETS**

* Minumum of 5 years trading experience in all aspects of Capital Markets with main emphasis on Government cash, futures and options
* A consistent profit record from position taking

**REMUNERATION**

A competitive and comprehensive package, including full expatriate benefits.
Applicants should submit their C.V. via courier or facsimile to:-

**The Treasurer, Saudi Cairo Bank, Al Amir Fahd Street,**
**P.O. Box 11222, Jeddah 21453,**
**Kingdom of Saudi Arabia**
**Facsimile No. (0966) 2 660 5304**

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# Senior Investment Strategist Investment Management Division

James Capel's Investment Management Division is responsible for the management of a wide range of portfolios on behalf of private clients, certain charities and corporate bodies. Following the merger with Greenwell Montagu Stockbrokers, the Division is responsible for looking after over £3bn of client funds.

We wish to appoint an experienced individual to head our internal research effort. Responsibilities will include chairing the Strategy Committee, distilling and disseminating research received by the Division from James Capel's own analysts and elsewhere and providing guidance to the portfolio managers. In addition, the job involves the production of a monthly investment review and making presentations.

The successful applicant will have considerable experience either as a fund manager or as an analyst. The ability to present arguments clearly, both in writing and at meetings, and to communicate effectively with our investment managers are essential attributes.

Please write, with a full CV, indicating salary to:

Ref: SIS
James Capel & Co., Investment Management Division, 7 Devonshire Square, London, EC2M 4HU.

**James Capel**
INVESTMENT MANAGEMENT DIVISION

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**Leading US Investment Bank**

# Internal Consulting Analysts

**London** **Excellent package**

Our client, a major and expanding international US investment bank, is developing its internal consulting department in London.

This department, currently undergoing expansion, provides a consulting resource for senior management in identifying and controlling risk and evaluating the quality and efficiency of performance.

Successful candidates will be well-qualified, enthusiastic and dynamic self-starters capable of bringing a fresh approach to a broad range of assignments across the bank's business. Comprehensive business reviews performed jointly with business managers will constitute a significant element of these assignments.

Outstanding analytical and intellectual ability will be backed by a record of achievement in one or more of the following areas:

**Engineering · Quality Assurance · Information Technology**
**Research and Development · Financial Services**

Strong verbal, written, presentation, listening and team skills are also required.

Opportunities to move into line positions will be available to candidates who demonstrate successful performance in the role.

Remuneration will be competitive and career prospects are excellent.

Please apply in writing, enclosing a full CV in strict confidence, to:
Geoff Selby, Ref. CR/15F, C. P. Wakefield Limited, 38 Charterhouse Square, London EC1M 6EA. Please indicate separately any companies to which your application should not be sent.

**WAKEFIELDS**

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# Financial Engineers

re nais sance

**to £40k + benefits**
**city**

Renaissance Software is a leading supplier of derivative trading software within the capital markets. Established originally in California and with offices around the world, we have a reputation both for excellence in the innovation and sophistication of our products and for the calibre and expertise of our employees.

As a result of our continued success in Europe, we are expanding our London operations. Our current requirement is for professionals from the derivatives industry who will be responsible for customer and sales support, implementation and training throughout Europe.

These are senior positions within the organisation calling for 3-5 years' experience on an active derivatives trading floor with excellent knowledge of fixed income and option derivatives trading analysis and risk management. Self- motivation and effective communication skills are seen as pre-requisites.

In addition to the substantial salary and benefits package, these roles represent outstanding opportunities with a rapidly expanding and successful organisation.

**If you are interested in finding out more about these positions, please contact Jane Moore on 071-287 2525 (071-436 1263 evenings and weekends). Alternatively, please write in complete confidence, enclosing your cv to : ARC International plc, Recruitment & Consultancy Services, 15 – 16 New Burlington Street, London W1X 1FF.**

Tel: 071 – 287 2525 Fax: 071 – 287 9688.

ARc International

RECRUITMENT & CONSULTANCY SERVICES

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# Oil & Gas Professionals

a career move into equity research

City – Negotiable salary + bonus + benefits

This is a rare opportunity to join a leading international securities house and become a key member of their well-respected oils team.

You will be responsible for completing in-depth analyses of independent exploration and production companies and will be called upon to provide objective investment advice on the sector to both clients and colleagues. In addition, you will contribute regularly to a variety of research publications.

Ideal candidates will be graduates aged mid-20's who have acquired at least 3 years' upstream experience as an economics analyst/petroleum economist. Applicants from other disciplines who can demonstrate the desired combination of technical knowledge and financial expertise will also be considered.

To apply for this stimulating and challenging position, please send a full CV quoting Ref. A5260 to **Stephen Leigh at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF.**
Telephone: 071-287 7007.
Fax: 071-287 2391.

**CJH Codd · Johnson · Harris**

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# Treasury Operations Controller

## Isle of Man

Our client, a major asset management firm of international repute, has a requirement for a treasury operations controller for its mutual fund administration centre in the Isle of Man. The operation continues to increase rapidly in volume and sophistication and this position has been created to ensure central control and optimum utilisation of the company's and its funds' cash flows. Reporting to the financial director, the person appointed will be required to design, implement and co-ordinate cash flow monitoring and control systems both within the organisation and externally.

Candidates, who are likely to be in their thirties with either a banking or accountancy qualification, will ideally have gained several years' cash management experience in a large multi-currency financial services environment or perhaps in an audit role. Well developed communication skills and a mature, professional stature are essential. This is an important position in the company and a competitive salary is offered together with excellent opportunities for career progression. The Isle of Man offers a very pleasant working and living environment with excellent educational, housing and recreational facilities and a low rate of taxation.

To apply, please write in confidence to: **IMR Recruitment Consultants, No. 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (tel: 071-872 5447).**

I M R

INVESTMENT MANAGEMENT RESOURCES

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**ESTABLISHED SWEDISH STOCKBROKING PRACTICE**

Seeks to recruit for its London subsidiary the following senior position:-

**MANAGER EQUITY SALES SUPPORT (DENMARK)**

Previous experience as an analyst on the Danish economy and companies is essential. Candidates must have close relations and knowledge of the major Danish companies.

The successful candidate will be fluent in English, the Scandinavian languages and at least two other European languages. Ability to translate accurately between English & the Scandinavian languages is a pre-requisite. Previous experience with an international security house is essential.

Please write to Box A724, Financial Times, One Southwark Bridge. London SE1 9HL.

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**CHIEF OPERATING OFFICER REQUIRED**

for small (4 branches) but expanding retail bank in the Turkish Republic of Northern Cyprus. Candidate should have good background and experience in all aspects of banking and in particular computer applications. Salary & benefits by negotiation.

Please write in confidence to: Executive Search, P O Box 1736, Manama, Bahrain.

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**CORPORATE BANKERS**
**MIDDLE EAST LOCATIONS**

A number of senior account manager positions have arisen in the region which require management experience with credit and marketing background. Good tax-free compensation with full expatriate benefits.

Interested candidates should contact:

*Brian Jarvis - General Manager*
*Jonathan Wren International*
*PO Box 11947, Diplomatic Area*
*Manama, Bahrain*
*Tel: 010 973 532582 Fax: 010 973 532604*

JONATHAN WREN INTERNATIONAL

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# DERIVATIVES ANALYST

**City** **Financial Engineering** **c £50,000 & Full Banking Benefits**

*Our client is one of the world's largest financial institutions with an impressive global presence. Owing to the expansion of its European Head Office in London, it is looking for a key individual to strengthen the analytical capability of its capital markets group.*

*Reporting to the Head of Department you will be expected quickly to become an integral part of a small, highly motivated team, which is responsible for structuring, pricing and evaluating a full range of derivative products using the most modern analytical techniques.*

*The ideal candidate will be computer literate and have a minimum of three years' relevant experience probably gained within the bond trading, corporate finance or research department of a large securities house. A degree in Mathematics or Mathematics based subject, together with strong interpersonal and communication skills are prerequisites. Flexibility and a willingness to work hard under pressure are also essential.*

*Candidates who feel they have the right background and would like to find out more about this interesting opportunity should send a detailed curriculum vitae to* ***Jonathan Cohen*** *at the address below.*

**12 Curzon Street**
**London W1Y 7FJ**

**Tel: 071-413 0972**
**Fax: 071-413 0976**

JP
LONDON PARIS MADRID

# FINANCIAL MANAGER

## Generating Business Results Through Effective Financial Management

**Middlesex** — **c.£34,000 + benefits**

It takes more than advanced engineering skills to achieve success in the competitive field of standard and pre-engineered water treatment. It also takes exceptional business and financial expertise – and the determination to meet the complex and changing needs of clients in every sector of industry and commerce.

These are the qualities that have made Permutit into a rapidly growing part of Thames Water Plc.

As Financial Manager, you will have a major impact on our business performance. On a day-to-day level, you will ensure that management information and accounts meet both statutory and business needs. You will also lead and motivate a team of finance professionals, maintain the integrity of financial controls, and provide a full range of financial and commercial management advice.

In addition, you will contribute to the strategic development of the organisation, exploring ways to improve business performance and meet future challenges via the introduction of new systems and procedures.

A qualified accountant, and possibly holding an MBA, you should have at least 5 year's post-qualification experience and proven ability to run a finance and computing facility. You will also need good company secretarial experience, excellent interpersonal skills, and the desire to get involved in the business at a very practical level. If you have a background in manufacturing and some international experience, so much the better.

Above all, you'll need the initiative and drive to achieve consistent results in a fast-moving business environment.

The attractive rewards package includes a generous salary geared to qualifications and experience, pension, private health care and relocation assistance where appropriate.

So if you have the skill and vision to direct our growth in a complex and rapidly changing business environment, please send a full CV to Sharon Leander, The Permutit Company Limited, Permutit House, 632/652 London Road, Isleworth, Middlesex TW7 4EZ.

PERMUTIT

# Accountant

## Budgeting & Planning for expanding business

**Southampton** — **c.£35,000 + car + benefits**

The Port of Southampton is Britain's premier south coast port and continuing investment is increasing both capacity and trade.

We are seeking to strengthen the senior management team with the appointment of an Accountant with primary responsibility for management accounting. This will include budget preparation and monitoring, the development of expenditure controls, preparation of capital appraisals and the valuation of existing and potential traffic profitability.

The successful applicant will be required to make a significant contribution to the development of the business and excellent interpersonal skills combined with sound commercial experience are essential requirements.

Candidates will preferably be ACA or ACMA with at least five years' post qualification experience together with a thorough knowledge of computerised accounting systems.

Benefits include a fully expensed car, private medical insurance, share ownership and share option schemes.

To apply, please write with a full c.v. to Alasdair Clarke, Staff Development Manager, Associated British Ports, 150 Holborn, London EC1N 2LR or alternatively telephone 071-430 1177 extn. 274 for an application form.

ABP ASSOCIATED BRITISH PORTS
BRITAIN'S LARGEST PORTS BUSINESS

# OUTSTANDING OPPORTUNITIES FOR ACCOUNTANTS WITH A PROVEN TRACK RECORD

## Marlow

The relocation of the Finance Department of Volvo Car UK Limited from Ipswich to Marlow has led to these outstanding opportunities for exceptional career-minded qualified accountants. You will be joining a young, professional and highly respected group who play a significant role in the overall management of the business, and who believe in giving genuine responsibility to each team member.

## Finance Manager

**up to £40,000 (inc. bonus) + car** — **Ref: 1487**

To manage all aspects of management accounting, dealer funding and car funding. Supported by a team of nine, you will not only be responsible for the overall preparation of management accounts, but will also provide support and direction to managers in achieving their business objectives.

A qualified accountant, you will have four years post qualification experience within a Finance department in a commercial organisation. Your proven record of contribution to the business will be matched by excellent people management, interpersonal and commercial skills.

## Accounting Managers

**up to £30,000 + car**

These two positions present an opportunity for talented qualified accountants. Each role is broad, and demands candidates with excellent all round accounting experience.

### Financial Planning (Ref: 1488)

A dual role combining planning and forecasting while providing financial and commercial guidance to the contract hire subsidiary of Volvo Car UK Limited. Must be able to manage and motivate a small team.

### Tax/Systems/Ireland (Ref: 1489)

The job holder will offer business and accounting support to Volvo Car Ireland Ltd. The role will also involve managing the VAT and other taxation matters for VCUK.

For both these positions we are looking for accountants with two years post-qualification experience and above average intellect, commercial awareness, and strong interpersonal and communication skills.

Volvo Car UK Limited offer an excellent salary, based on performance and contribution, together with non-contributory pension scheme, 28 days holiday, company and lease car scheme and private medical insurance. Relocation assistance is available where appropriate.

Please write in confidence, with full career details and current salary, to our advising consultant, Diana Cubberley, quoting the relevant reference number, at Regent Consulting, Prince Regent House, St Giles Close, Reading RG1 2SA. Tel: (0734) 560522. Fax: (0734) 560434.

VOLVO

**The Top Opportunities Section**
appears every Wednesday.
For advertising information call:
Clare Peasnell 071 873 4027 Elizabeth Arthur 071 873 3694

# FINANCIAL CONTROLLER

A multi-national U.S. oil field service company is relocating its corporate headquarters for Europe, Africa, the Middle East and the CIS to the Hammersmith area, London and has a vacancy for a Financial Controller.

Reporting to the Director/Vice President Finance & Administration and managing a small team, the position is intended to provide the territory with strong financial management as a basis for its aggressive future development.

Responsibilities include, inter alia, reporting on monthly management accounts, preparation of consolidated accounts, cash and profit forecasts, supervision of credit control, and further development of management reporting systems.

Applicants may have either of the following qualifications and experience: (a) qualified accountant with 1 to 2 years senior level accounting experience; or (b) a degree in accounting with 8 to 10 years senior level accounting experience preferably in an oil field related environment.

Additionally, applicants must be computer literate, specifically Quattro Pro or equivalent spreadsheet programs, and demonstrate commercial awareness, decision making and analytical skills, dedication to achieve strict reporting deadlines and a flexible work attitude.

Please apply in writing with full C.V. to K.E. Blyghton, ML&B, 4 Carlton Gardens, Pall Mall, London SW1Y 5AA

No Agencies Please

# DENTON HALL

BURGIN & WARRENS

## PROJECT ACCOUNTANT – SOLICITORS

**C. £25 – 30,000 + BENEFITS**

Denton Hall Burgin & Warrens is one of the largest law firms in the UK. Based in Chancery Lane, the firm has an extensive international practice with eight overseas offices.

We are looking for a Project Accountant with a minimum of two years post qualification experience. Reporting to the Director of Finance, this position is particularly challenging and will cover a wide variety of tasks. One of the first projects with which you will be involved is the specification, selection and implementation of new accounting software.

You should be a graduate Chartered Accountant with a sound accounting background, computer literate and have experience of team management. We are looking for a self-starter with an outgoing and confident personality who is used to dealing with people at all levels. Experience of implementing a large scale accounting system or knowledge of the accounting and management information requirements of a professional practice is desirable. Candidates should note that the firm operates a no-smoking policy.

To apply, please write with a full CV to:

Nicola Darkes, Personnel Executive, Denton Hall Burgin & Warrens, Five Chancery Lane, Cliffords Inn, London EC4A 1BU

# JOSLIN ROWE

**SENIOR INDUSTRY RESEARCH** — **c£55,000**
Leading International Bank seeks a Researcher, at Assistant General Manager level, to head it's European Credit Research group. Responsibilities will be to manage the production of strategic analyses for corporates in support of credit objectives, develop research contacts and to provide advice on economic risk. A minimum of seven years' relevant experience from a financial institution essential. Additional European language required.

**PROJECT FINANCE** — **£35,000**
A Graduate with substantial Project Finance experience sought by this International Bank. The role will incorporate marketing and relationship development, risk analysis, negotiation, structuring and monitoring of transactions and research into the European market place. Candidates will ideally possess an engineering background or qualification, as well as exposure to the engineering industry.

**SYSTEMS AUDIT** — **£30,000**
Degree educated Systems Audit Officer sought who possesses, or has made significant progress towards, the CICA/CISA qualification. As the sole Systems Auditor, the incumbent will be expected to plan and perform fieldwork, revise audit issues with Management and undertake adhoc project work as required. Other activities are likely to include system development reviews and product audits.

**MANAGER, RISK MONITORING** — **to £35,000**
Prestigious Investment Bank currently seeks to appoint a Risk Control Professional with at least three years' relevant experience to head a large team. Monitoring credit and market risk exposure for trading and investment activity, you will ensure limits are observed, action any breaches, develop relevant monitoring systems, ensure counterparty documentation is adequate and be responsible for planning, budgeting and recruitment.

**TECHNICAL SALES** — **£AAE**
Independent research unit of leading Securities House with an enviable reputation, requires a Technical Salesman who possesses an indepth understanding of quantitative research techniques when applied to the Securities Industry. Candidates must be educated to at least degree level and have a minimum of two years' related experience. First class product range.

**CREDIT ANALYST** — **c£30,000**
Expanding Capital Markets House seeks a degree educated individual (aged 25-35) with at least three years' experience of European corporates and Financial Institutions analysis. Handling the UK, Scandinavian and European portfolios, duties will encompass analysis of new proposals, liaison with Marketing Officers and compiling detailed reports for senior management. A broad working knowledge of PC's is essential.

TEL: 071 638 5286 FAX: 071 382 9417

# LATIN AMERICAN EQUITY SALES

A young institutional broking house specialising exclusively in the Mexican and South American equity and equity derivatives markets – with additional activities in the respective fixed interest markets – seeks to recruit an able and experienced salesperson of proven calibre and established following with at least 2 years' directly relevant experience to join a motivated and vigorous team.

Competitive remuneration is offered, negotiable according to experience and closely geared to performance.

Applications in candidates' own handwriting and accompanied by a full C.V. and details of current remuneration should, in the first instance, be forwarded to Box A723, Financial Times, One Southwark Bridge, London SE1 9HL

# INTERNATIONAL CAPITAL MARKETS - TRAINEE

A leading Japanese bank in the City is seeking an Economics graduate to join their Futures Broking team. The individual will be required to service existing financial futures and develop potential new clients predominantly in the Japanese market.

The appointee will be expected to speak, read and write fluently in Japanese and also be familiar with Japanese business practices. Candidates will ideally be between 25-30 years of age. Salary will be commensurate with age and experience.

Please apply in strictest confidence:

JAC Recruitment, Dauntsey House, Frederick's Place, London EC2R 8AB Tel: 071 796 3132 Fax: 071 796 4620

# FOREX

A top US investment bank is looking for a young individual to develop its foreign exchange business in conjunction with a strong institutional client base.

A thorough knowledge of the FX market and a minimum of 2 year's trading experience are essential. The ideal candidate, who is likely to be a graduate, must be a good communicator and capable of working well under pressure.

Applications should be sent to:

Box A721, Financial Times, One Southwark Bridge, London SE1 9HL

# OPTIONS TRADER/ TECHNICAL ANALYST

**£50,000 PA**

A minimum of 3 years experience, knowledge of US Markets, computer literacy and a University Degree.
To head an Options Trading team.
Please telephone:
Sharon Gay
071 283 1228 Rec Cons

# CAREER ASSESSMENT

Expert guidance for all ages, practical help on career planning, finding work, courses. Consult:
CAREER ANALYSTS
90 Gloucester Place, W1.
071-935 5452 (24 hrs).

# EUROPEAN PC MANUFACTURER

and trading company establishing presence in the UK offers good opportunity to experienced person of high calibre to independently manage operations on a profit sharing basis or on a salary plus profit sharing basis. Experience of PC market essential. Please send CV with covering letter to Rajesh Bhandari, Director, Suropa n.v., 18 Florence Mansions, Vivian Avenue, London NW4 3UY

# APPOINTMENTS WANTED

**GERMAN, LONDON BASED**

31 yrs, bilingual, seeks research oriented position in UK. Open to e.g. investment banks, venture capitalists or consultancies.
Offer: Extensive research experience during last 5 yrs; intl. markets, industry. Currently PhD cand. Siemens trained. PC software application. In UK since '89. Dynamic, team oriented and reliable.

*Write to Box A722, Financial Times, One Southwark Bridge, London SE1 9HL*

Adam, Harding & Lueck

# THE SCIENCE OF TRADING FINANCIAL MARKETS

Adam Harding & Lueck is a company engaged in computer based mathematical and statistical research into the world's financial markets. AHL is at the frontier of this kind of research, its application to trading and the design of innovative financial products, and is already the largest futures trading advisor in Europe. As fluid and interconnected capital markets proliferate globally and as the power of technology advances apace, the company's growth will continue to accelerate, presenting exceptional opportunities for highly talented individuals to join the team.

The company currently employs more than 40 people constituted into research, data, systems and product development teams. Most of these are computer scientists, mathematicians, physicists and engineers, and we would be interested to hear from like minded individuals to join these teams.

The most important characteristics of potential candidates are a very high level of intelligence, the ability to work successfully in a team environment, a passion for problem solving, an enthusiasm for learning and a high level of computer literacy.

Experience in the field of finance is not essential, candidates may be drawn from industrial or academic backgrounds. Excellent graduate or postgraduate qualifications in highly numerate disciplines are important but candidates who possess the above characteristics without appropriate qualifications should pay attention to demonstrating their suitability in other ways.

We offer an attractive range of salaries in addition to a benefits package which includes BUPA, pension and bonus scheme. Candidates at all levels of age and experience and from all related disciplines will be considered. Adam Harding & Lueck, is part of the E.D & F.Man Group.

Please write, including your CV, explaining how your experience is relevant to AHL's activities to Maxine Doonan, Adam Harding & Lueck, Sugar Quay, Lower Thames Street, London, EC3R 6DU. Please quote Ref 293/FT.

E D & F MAN LIMITED

# RESEARCH ASSOCIATE

Candidates should have outstanding research and analytical skills. Proficiency in the use of Macintosh software is an advantage.
The successful candidate will be a graduate, preferably with an international affairs background and business course experience, aged between 23 to 26 years, and will be fluent in at least three major European languages (to include French and German).
A willingness to work abroad is essential.
A competitive remuneration package is offered.

*Write to Box A718, Financial Times, One Southwark Bridge, London SE1 9HL*

# FOREX Selection

*Treasury Recruitment*

**SPOT CABLE** — **£70,000**
Position is available for a senior dealer who is currently active in spot cable or £/DEM and wishes to join a prime European bank, distinguished for its F.X. expertise. The successful candidate will be aged 25-32 with an impressive record in interbank dealing. Significant benefits apply.

**CURRENCY OPTIONS** — **£50,000**
First class international bank is seeking a self-motivated individual to develop its marketing/trading strategy in currency options. Applicants should be graduates in the age range of 26 to 35 with around 4 years dealing experience in derivative products.

**CORPORATE F.X.** — **£45,000**
Opportunity exists within a leading European bank for a dealer with 3 years experience of servicing institutional clients in foreign exchange products. Aged between 25 & 35, candidates should speak a second language, preferably French, German or a Scandinavian tongue. Excellent range of benefits.

**SWAPS** — **£50,000**
Due to expansion of its derivatives team, a reputable British bank has an opening for an expert with major currency interest rate swaps. The role will involve marketing, trading and constructing packages on a proprietary basis. Excellent prospects are offered to the successful candidate who will be a graduate aged between 26 & 32.

Please call Jane Hampton or write in confidence quoting ref: JH1731.
Tel: 071-369 0369.
36 Cornhill,
London, EC3V 3PQ.

# BUND/BOBL ARBITRAGE TRADER
# DTB EQUITY/INDEX OPTIONS MARKET MAKER

BMP Wertpapiere und Optonen GmbH, member of the Deutsche Terminbörse and the Deutsche Börse, has positions open for independent working traders who desire to work in a smaller environment with more profit potential. Send CV to:
BMP Wertpapiere und Optionen GmbH
Brentanostrasse 17
D-6000 Frankfurt am Main 1
Germany

# FINANCIAL ASTROLOGER

Financial strategist with unusual skills combining technical analysis & financial astrology. Proven track record of trading S/DM, FTSE100 & Dow Jones Index. Seeks opportunities with a progressive financial institution.
TEL: 0344 303667
or write to Box A711, Financial Times, One Southwark Bridge, London SE1 9HL.

# RISK MANAGER

**Competitive Salary & Full Banking Benefits** — **City**

Daiwa Europe Bank plc is the flagship banking subsidiary of Daiwa Securities Co. Ltd of Japan. We offer a diverse range of banking services to major institutions and banks worldwide.

Reporting directly to our Managing Director, the Risk Manager is responsible for the Bank's risk monitoring and assessment processes. This will involve the close observation of daily trading activities and therefore a thorough understanding of complex structured derivatives and their inherent risks is essential .

It is expected that candidates will also meet most of the following requirements:-

- a thorough understanding of and exposure to structured derivative and synthetic debt instruments - perhaps gained by virtue of 3-5 years of quality Capital Markets experience as a Dealer or Risk Manager
- good analytical skills - a high level of numeracy, including proficiency in financial and statistical modelling
- an understanding of modern portfolio theory and conventional volatility models
- a knowledge of accounting concepts and financial reporting systems
- experience in P.C. based systems, probably with some degree of programming skills.
- an awareness of the regulatory environment.

In addition, the successful candidate will probably possess an industry or professional qualification and will be a motivated self starter. Although the age remains flexible, it is likely that an individual meeting our specification will be ages between 29 and 45.

Please apply in writing, enclosing a full C.V. to:-
Helen L. Challis,
Personnel Officer,
Daiwa Europe Bank plc,
City Tower,
40 Basinghall Street
LONDON EC2V 5DE

和 DAIWA

Quoting reference HLC/CEX1 *(No agencies, please)*
Closing date for applications is Friday *5th March* 1993.

## ACCOUNTANCY COLUMN

# Time for auditors to come out of their shells

**Michael Fowle** clarifies the profession's role in business and its future direction and development

IT IS time that auditors "came out". We should demonstrate that our profession is a fundamental part of risk management in the economy, that we are proud of our contribution and want to do our job even better in the future than we have in the past.

I am an auditor and I am proud of it. My predecessors built my firm on a reputation for providing a service to those who used the accounts of their audit clients – and not by kowtowing to the wishes of company directors. That is the past of auditing and so must it be its future. I am passionate about auditing and its contribution to business society.

The UK Auditing Practices Board (APB) paper on the future development of auditing issued last November gives us plenty to think about. Its authors make clear that it is intended to promote public debate, and is certainly not a worked-through proposal, let alone a legal framework. But reflecting the diversity of public concern, its scope is so wide-ranging that it runs the risk of prompting a series of unending debates.

I want to return to basics. The public role of auditors is to audit accounts. They may – and indeed do – fulfil other functions which contribute materially to the benefit of the economy, but the essential issue is that of competence in their primary function.

An audit report is a matter of opinion – an opinion in support of facts, and on their presentation. Failures in audit evidence do occur, but they are surprisingly rare and we have to remember that no process of inquiry can be absolutely conclusive.

Opinion on presentation is an opinion on the way in which the directors have set out the facts and arrived at judgments where these are required. Neither opinion is of any worth unless it is objectively arrived at.

The APB paper notes that the small number of audit reports which are qualified is seen by some as indicating a lack of objectivity. But this confuses a qualified audit report with an auditor's badge of virility. Auditors do their duty to the stakeholders by assisting, advising – and, on occasions, persuading – their clients' directors to publish accounts which, in the auditors' opinion, show a true and fair view.

A qualified audit report is not only an expression of the auditors' opinion that the directors have failed to comply with the law. It is also an admission by the auditors that they have failed effectively to influence the directors. Qualified audit reports are indeed rare, but this is a sign of success, not failure.

On every single public interest audit engagement, auditors in my firm work for at least four separate client constituencies, whose interests may well conflict. There are shareholders; other stakeholders and regulators who may represent their interests; the board; and executive management. If auditors cannot build a working relationship with the executive directors and management of their client company, they can never undertake a truly efficient and effective audit.

There is no point in being frightened of conflicts of interest. The world is built on them. My favourite working definition of a professional is somebody who can identify conflicts and make judgments amongst them. Good auditors understand that not only can they serve all four client constituencies, but that they must serve all four. If the audit fails to do so, it fails as an audit.

That is why the Cadbury Report on

**There is no point in being frightened of conflicts of interest. The world is built on them**

corporate governance is entirely right to concentrate not on auditor independence but on achieving auditor objectivity. Good auditors have always known that because they serve four constituencies, their first duty is not to the directors of their client company but to the company itself. It is the company and only the company which can be the proxy for the stakeholders – in particular the shareholders, who are the prime stakeholders.

On this issue auditors are in the same position as the directors. But this legal relationship in no way detracts from the essential fact that both directors and auditors owe their duty to the shareholders and stakeholders. Auditors know this very well.

Auditors also know the importance of understanding the framework within which they operate. Their critics sometimes find this less essential. One example is accounting standards, which are not the province of the Auditing Practices Board but of the Accounting Standards Board. The roles of these related but necessarily distinct bodies are often confused in the public mind.

Another instance is the failure to grasp that it is management that manages companies, and directors who set and monitor a direction. It is directors – not auditors – who are responsible for reporting to shareholders on the company's business, its financial results and future prospects.

The heart of the question is not the narrow one of professional liability nor the details of what an audit report is meant to say. It is the fundamental issue of the function of auditors and where they stand in relation to management. We do not wish to take cover behind a defensive barricade. We welcome the opportunity to contribute more effectively to the economic process, and in so doing to respond to the needs of the market.

But the APB suggests that the purpose of an audit should be re-defined beyond the auditors' current role to encompass reporting both on the proper conduct of the company's affairs and/or future risks attaching to the company. Surely these suggestions address not the role and scope of audit, but the role and scope of annual reports by directors to shareholders?

It is for the directors to report to the shareholders and other stakeholders and only then for the auditor to express an opinion on this report. If you move to a position where reporting is in the first place the duty of auditors not directors, this denies the auditors' essential role as objective commentators and effectively makes them another tier of management.

There are strong arguments for suggesting that directors should be given an enhanced responsibility to stakeholders other than shareholders. There are strong arguments that directors should report each year to shareholders on the way the company's affairs have been conducted and on how they have satisfied themselves on the propriety and perhaps the efficiency of that conduct.

There are also strong arguments for suggesting that the directors should report to shareholders about the risks inherent in the group's business and the way in which they ensure that those risks are appreciated and appropriately limited. This last proposal is covered in the Operating and Financial Review proposal from the Accounting Standards Board circulated last April.

Auditors are neither guarantors, nor guardian angels, nor soothsayers. But if the reporting standards for directors encompass the issues of proper conduct and future risks, and if the benchmarks are there, we auditors will be able to obtain information, verify it, make judgments and arrive at opinions on those matters of conduct and risk on which an objective opinion is both practicable and relevant. It is then for the business world to judge whether the cost will match the benefit.

*Michael Fowle is senior UK audit partner at KPMG Peat Marwick.*



## ACCOUNTANCY APPOINTMENTS

# Senior Management Accountant

## Major City Institution

### c £40,000 plus benefits

One of the UK's largest Financial Institutions is seeking to recruit the Senior Management Accountant for a substantial division whose contribution is becoming increasingly important.

You will be a qualified accountant (ACMA, ACCA or ACA), probably in your early 30's, preferably with recent experience of applying creative and innovative management accounting techniques in a financial services environment, for example a Building Society, Insurance Company, Bank etc.

A substantial proportion of your time will be spent selling your services to all parts of the customer base.

You must therefore be a confident communicator, who is completely comfortable dealing with Senior Management.

This is a stimulating challenge in a major group, going through considerable change demanded both by its Main Board and the market place. A fully comprehensive package will be offered.

Our client is an Equal Opportunities Employer.

**Please reply in strictest confidence to Peter Wilson FCA, MAL Executive Search, Finland House, 56 Haymarket, London SW1Y 4RN. Tel: 071-930 6314. Fax: 071-930 9539.**

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# FINANCIAL CONTROLLER

**London** **c. £35,000 + Car + Profit Share**

Manufacturing ingredients for the food, drink and pharmaceutical industries, this £100m turnover company is a subsidiary of a progressive European group with extensive production and technical resources. Established over 50 years ago, the business now operates from a modern plant, employing sophisticated computerised technology.

Reporting to the Finance Director and controlling 10 staff, the Financial Controller will be responsible for all aspects of financial and management accounting and will have extensive contact both with other departments and with subsidiary/associate companies.

The role calls for a qualified accountant who can combine attention to detail with the ability to stand back and see the global perspective. Applicants must be highly computer literate, being familiar with large systems and skilled on spreadsheets. Experience in a manufacturing company would be an advantage.

Please send a career résumé, including salary details and daytime telephone number, quoting reference 3294, to Graham Perkins, Touche Ross Executive Selection at the address below.

Touche Ross

MANAGEMENT CONSULTANTS

1st Floor, Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 071 936 3000.

# European Finance Manager

**Central London** **c £35,000 + Bonus + Bens**

Our client is one of the world's premier international consulting firms with a turnover in excess of $500 million.

Specialists in a broad range of services for a variety of leading businesses, the firm employs over 4000 staff in operations worldwide.

Since 1989 the European operations have grown significantly outperforming the majority of their competitors. This has been achieved by adopting a pan-European focus whilst fully utilising their global practice capabilities. The European HQ is based in London, and provides support to each of the local European regions. An internal promotion has created a need to appoint an ambitious qualified accountant with strong communication and technical skills. Reporting to the European Finance Director, the successful candidate will head a small team with full responsibility for European financial reporting, financial planning/forecasting and analysis, treasury management and occasional fiscal matters. In addition the role will involve extensive inter-company liaison and ad hoc reporting.

Prospective candidates must be graduate qualified accountants (ACA/ACCA/CIMA), aged between 28 and 33, with a successful track record ideally gained within a multi-currency environment. Individuals with experience in a service based industry will be of particular interest. Applicants should be able to offer both a 'hands-on' approach and possess the intellectual ability to gain the respect of senior management.

Equally important are the personal qualities which must include a high level of energy and self-motivation coupled with an organised yet flexible approach.

Whilst a second European language will prove useful, it is not essential.

Interested candidates should send a full curriculum vitae to **Paul Marsden at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

**Michael Page Finance**

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# INTERNATIONAL TREASURER

**Central London** **c. £80,000 Package**

Saatchi & Saatchi is one of the world's largest advertising and marketing communications groups, operating in 34 countries through over 150 subsidiaries. We are appointing an International Treasurer, reporting to the Group Treasurer, to join a dedicated and highly professional team that has played a key role in the restoration to health of this major international group. You will be responsible for all International Treasury matters (ex North America) and all foreign exchange and interest rate exposure management systems for the group.

Your immediate tasks will be

a) to review the international cash management systems and install state of the art systems so as to minimise capital employed.

b) to analyse and upgrade the FX and interest rate exposure management systems of the group.

You should have at least 5 years Treasury experience in a sophisticated multinational Treasury department, with particular expertise in international cash management systems and exposure management systems, and will be a graduate MCT or MCT (Dip). You should be a practical hands-on individual who is prepared to carry through your own ideas, with the skills and confidence to reshape your own area of responsibility.

Please reply in writing, enclosing a full C.V. to Gail Rosen at 83/89 Whitfield Street, London W1A 4XA

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Andrew Skarzynski on 071-873 3607

Mark Hall-Smith on 071-873 3351

JoAnn Gredell New York 212 752 4500

# Finance & Planning Director

**c £55,000 Oxford**
**+ Performance Bonus + Car**

This client, a subsidiary of a large UK plc, is an expanding worldwide business whose high-technology leadership makes it the acknowledged world leader in its market.

To support the drive for growth the current team is to be strengthened by the appointment of a Finance and Planning Director. The position requires an all-round ability to play an active part in the strategic management of the business whilst retaining control over the finance function, which is decentralised to the local operating units. A self-starter, good at achieving results and able to set his/her own agenda is required to fit in with the participatory and open management style.

Applicants should be graduate qualified accountants able to operate effectively at the top level in an international team with an unusual blend of scientists, business managers and entrepreneurs. Experience in central finance as well as operating levels in a significant international consumer-orientated business is essential. There will be up to 25% international travel. Age guideline 32-38.

Please apply in confidence quoting Ref. L529 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

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Selection & Search

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A portfolio of innovative products and services, matched by a presence in all the major financial centres, serves to maintain J.P. Morgan's reputation as one of the world's premier banking and securities firms.

To ensure we retain this position we recruit only the best, which holds true for the exceptional accountants we are now seeking to further strengthen our Financial Division. Continued business expansion means a number of new positions have arisen in the following areas:

### Financial Control Global Markets

The group acts as the prime Financial Division contact for business managers in the areas of treasury, capital markets and derivative products. The roles involve daily determination and analysis of risk positions and underlying profit.

### Financial Accounting and Reporting

The group provides the overall co-ordination of the reporting on J.P. Morgan's London business. Responsibilities include helping to manage the risk-based capital in order to allocate equity most efficiently.

### Global Technology and Operations

The group works closely with senior business support managers to achieve efficient resource management. The major thrust of this role will be to provide cost/benefit analyses, unit costing, planning and reporting.

### Systems Liaison

The group offers the challenge of project orientated roles within one of the most advanced Information Technology environments in banking. Team members will help define requirements, plan and perform testing on behalf of Financial Division.

Applicants should be recently qualified graduate accountants, with first time passes at the professional exams. Strong interpersonal skills combined with creativity and the ability to grasp concepts quickly, are also essential.

As J.P. Morgan is a meritocracy where progress is dictated solely by your abilities, achievements and personal ambitions, exceptional career opportunities will exist throughout the bank. **Previous financial services experience is not essential.**

In addition to excellent basic salaries, benefits will include a car allowance, mortgage subsidy and profit sharing bonus scheme.

For further information in strict confidence, please contact our advising consultants Brian Hamill or David Craig at Walker Hamill on 071-287 6285. Alternatively forward a brief resumé to 29-30 Kingly Street, London W1R 5LB, quoting reference BH858.

JPMorgan

APPOINTMENTS WANTED

**40 YEAR OLD CHARTERED ACCOUNTANT**

with MD experience and sense of humour seeks position with small go-ahead team for full involvement.

*Please contact Box A725, Financial Times, One Southwark Bridge, London SE1 9HL*

# Financial Controller

**£30K Swindon**

Experience of Public/Private sector finance policy and accounting is desirable.

Telephone: 0793 413373 for further details.

Closing date: 5 March 1993.

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## Group Finance Director

Well managed and resourced £100m+ turnover manufacturer seeks top class finance professional. World leading products, sophisticated production technology, high quality customer base with dominant market position in the UK. Overseas subsidiaries and plans for an aggressive acquisition programme. Strong finance function with high quality professional team.

THE ROLE

- Responsible to the Chief Executive for the full spectrum of financial management and achievement of corporate objectives. Key role in strategic management with emphasis on financial direction.
- Monitoring, influencing and stimulating improved performance of the underlying businesses.
- Leading and motivating finance staff at all levels to optimise performance. Establishing effective relationships with senior operating managers.

THE QUALIFICATIONS

- Qualified accountant, 35+ with distinguished record of financial management in a blue chip manufacturing environment. Now in a senior position as Finance Director of a small plc or major division operating internationally.
- First-class technical skills in financial and management accounting and systems. Tax, treasury and acquisition experience an advantage. Well-developed, disciplined analytic and planning abilities.
- Bright and ambitious with strong managerial, interpersonal and communication skills. Proven ability to learn fast and adapt quickly, rising to new challenges.

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*c. £90,000 package + share options* | *Multi-national Service Company* | *South East*

## European Finance Director

Expanding and profitable £200 million turnover company, part of a Times 100 UK plc, is a world leader in its chosen markets with a unique service offering to commerce and industry. A commercially orientated finance professional is now sought to join the small UK based European management team, planning and implementing the growth strategy for the 90's. Exceptional opportunity to be in at the ground level of a new pan-European service offering, with excellent growth potential.

THE ROLE

- Reporting to the European Chief Executive with full responsibility for the finance function, advising the Board on a wide range of commercial issues.
- Working closely with operating management in business planning and reviews to optimise performance, whilst providing effective financial control and reporting systems, including tax and treasury.
- Key member of the strategic management team, providing finance input to strategic planning, acquisition and joint venture evaluation.

THE QUALIFICATIONS

- Graduate, ACA/ACMA, 30 plus with strong European experience and languages. Probably financial controller/director of a significant international business.
- Highly commercial and market focused orientation. Experience of advising operational entities on broad business matters during a time of growth. Previous exposure to corporate finance issues beneficial.
- Persuasive communicator with toughness and maturity. A team player, highly numerate with an agile and flexible mind. Free to travel extensively.

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# Financial Controller

**Berkshire** — **to £35,000 + Car + Benefits**

Our client is the successful UK subsidiary of a US corporation. The corporation is a leader in the field of computer aided software engineering (CASE) and has been manufacturing and marketing software automation tools to increase the productivity and quality of the software development process since 1982. They have an installed base of more than 20,000 systems worldwide in blue chip companies within industries such as computers, telecommunications, military, aerospace, transportation and banking. Within the UK, the business has expanded rapidly from a start-up in 1991 and is already expected to exceed growth targets for 1993.

This position as Financial Controller is key to the continuing success of the business in the UK and only candidates of the highest calibre will be considered. Reporting directly to the UK Managing Director and functionally to the US International Finance Director, responsibilities will include:

- Provision of first class day-to-day commercial and financial control.
- Proactive management of the financial reporting process with an emphasis on commercial and timely historical and forecast information. This includes UK & US statutory requirements.
- MIS development and enhancement of a fully integrated financial system.
- Interacting with both local and overseas colleagues in a mature and effective manner and in doing so, building rapport and respect.

Knowledge of US accounting standards and reporting requirements, together with transfer pricing methods is essential. An understanding of the accounting concepts for software revenue recognition would be advantageous.

Suitable candidates will be UK qualified accountants and are unlikely to be aged less than 35. They will have a track record in US hi-tech industries and demonstrate common sense, commercial awareness and the ability to manage people effectively.

For the successful candidate, medium to long term prospects in this dynamic environment are likely to be excellent.

Interested candidates should send their curriculum vitae to **Anne Wilkie ACA at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.**

MP
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# Credit Manager

**London** — **£30-35,000 + Car Allowance**

Operating within Europe, our client has established itself as the market leader within its sector through rapid growth and an emphasis on high levels of customer service and support.

A high calibre and commercially aware Credit Manager is now sought to strengthen the credit management team. Reporting to the Commercial Director, you will play a critical role in the continuing development of the credit function within this fast moving, high volume business.

The scope of your responsibilities will be to manage the development and implementation of systematic procedures and policies to improve the risk management and cash collection activities within the UK and Europe.

The successful individual will be an energetic and highly motivated Credit Manager with extensive experience of working in a fast moving, high transaction volume business, preferably within a European or International work environment. Proven management and communication skills are essential to succeed in this high profile role. Language skills would be a real asset along with experience of using PC based software packages.

Interested candidates should write enclosing a curriculum vitae to **Peter Gerrard** at **Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

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# Financial Accounting Manager

**Central London** — **c£40,000 + car + benefits**

*Enterprise Oil is one of the world's leading independent oil and gas exploration and production companies. Listed in the UK and US, it has market capitalisation of approximately £2 billion. The company has a strong commitment to quality, growth and development.*

An enthusiastic and flexible Big 6-trained ACA is sought for this newly-created role in the group's head office. This senior position requires an individual with a strong exam and academic record and a minimum of four years' PQE. The successful candidate, who may presently be employed in the profession or in commerce, will report to the Financial Controller and will take responsibility for UK statutory reporting, group consolidation, general and subsidiary ledgers and accounting for treasury activities. A key challenge will be the continued improvement of financial controls and the quality of accounting data.

The appointee will be a participative, hands-on individual, who must possess excellent communication and interpersonal skills and will be called upon to present and explain complex technical issues to senior management and Directors. He/she will be required to manage and motivate a team of 12 staff. Familiarity with US GAAP and prior exposure to oil and gas accounting would be advantageous.

Interested candidates should send their CV in confidence, quoting reference E0957, present remuneration details, work and home telephone numbers, to James Forte at the address below.

KPMG — Enterprise Oil — KPMG Selection & Search, 2-3 Dorset Rise, Blackfriars, London EC4Y 8AE.

# Financial Controller

**North East** — **c£35,000, Car, Benefits, Relocation Assistance**

We are an autonomous subsidiary of a major international group who are world leaders in their particular manufacturing sector. We intend to appoint an experienced financial controller with the technical and systems skills to control and direct the full unit finance function whilst assisting the General Manager in a wide range of commercial and strategic business issues.

THE ROLE

- You will hold total site responsibility for all financial and management accounting reports and controls.
- Working closely with the General Manager (and clearly seen as his principal support) you will be fully involved in the current "change management" process upon which we have embarked.
- Your ability to comprehend and interpret management information will be such that you will be capable of providing meaningful commercial representation both within the unit and externally.
- Your systems and I.T. skills will allow you to develop an information infrastructure which will extend the management understanding of the business.

THE QUALIFICATIONS

- An experienced fully qualified accountant with a proven track record of achievement.
- A background of financial and commercial decision making in a manufacturing environment.
- The interpersonal and team building skills imperative for such a role.
- The ability (and desire) to literally operate at all levels from the shop floor to the boardroom.
- The vision to initiate "change" coupled with the ability to say "no" where such comment can be objectively justified.

To pursue your interest in this first class career opportunity your curriculum vitae should be forwarded with complete confidence to our advising consultants; Peter Downes Associates, Brookside Cottage, Red Lumb, Norden, Rochdale OL12 7TX (Telephone: 0706 32443) clearly marking your envelope Ref: DDN 19.

Peter Downes Associates

# Group Controller

**Midlands** — **£50,000–£60,000**

A company employing over 4,000 personnel, has sales in excess of £500m with the bulk of its income derived overseas. Its US parent devolves considerable autonomy to the company, with the finance function required to meet a stringent reporting timetable.

The Finance Department employs 50 personnel providing strong central control, making use of extensive on-line systems to provide rapid data input.

The role: Reporting to the Finance Director responsible for all financial and management planning, reporting and control. Must make a strong contribution to the solution of tax and treasury problems, liaising closely with overseas subsidiaries, joint ventures and the corporate headquarters in the USA. Expected to lead the further development of systems, and raising standards through effective training.

Qualifications: 35-50 year old graduate chartered accountant with relevant managerial experience in a substantial department employing US GAAP. Must be able to demonstrate ability to work quickly and accurately, meet demanding reporting schedules and think ahead to find solutions to anticipated problems. Must be a good communicator, intellectually strong and commercially aware.

Success in this appointment could lead to further career progress.

CSR — Please write enclosing full CV, quoting reference 2739 to: – CSR Selection Consultants, 14 Bolton Street, London W1Y 8JL. Tel: 071-408 0370.

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Wakefield College — **c £42,000**

# Finance Director

With a budget of £20 million, Wakefield College is one of the largest further education colleges in the country. Employing around 660 full-time and 600 part-time staff, this multi-site college has around 3,000 full-time and 17,000 part-time students involved in a full range of further education activities.

In reviewing the College's preparation for incorporation in April 1993, the recently appointed Chief Executive/ Principal has identified the need to recruit a Finance Director who will assume full responsibility for all financial operations of the College. Reporting to the Chief Executive, your initial task will be to develop and implement planning and control systems to support the organisation in this new environment. As a member of a small executive team, you will also play a major role in formulating overall corporate strategy for the College.

A graduate qualified accountant, you will have a proven track record of managing and developing finance functions, including computerised management information systems, in a progressive industrial or commercial organisation. An enthusiastic individual, you will have a hands on approach, strong communication and persuasive skills together with the other personal qualities needed to make a positive impact on an organisation entering an exciting period of considerable and significant change.

Please send full personal and career details including current remuneration level and daytime telephone number, in strict confidence to Angela McDermottroe, Coopers & Lybrand Executive Resourcing Ltd, Albion Court, 5 Albion Place, Leeds LS1 6JP, quoting reference 261AM.

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*£38,000 - £42,000 + PRP* *Liverpool Housing Action Trust* *North West*

# Director of Finance and Administration

The Government has recently established a Housing Action Trust in Liverpool. The Liverpool Housing Action Trust has been set up to take over from the City Council the ownership of 67 high rise blocks and to improve and manage the properties. Working in close partnership with residents and other agencies, it will refurbish the properties to produce good quality and secure accommodation, enhance local training and employment opportunities, improve the environment and revitalise community spirit. Substantial assets and budgets, including income from rents and grant-in-aid, are involved, providing challenge and opportunity for a resourceful and enterprising finance professional.

THE ROLE

- Reporting to the Chief Executive and the Board, responsible for finance and administration teams, a capital programme of over £100m, and a revenue stream of over £6m per year.
- To establish and operate financial controls which achieve regularity, propriety and value for money while providing flexibility and innovation. Tax, insurance, IT, accommodation, cash management, capital reviews and staffing are all within the remit.
- To support the Chief Executive's role as Accounting Officer within procedures laid down by central government.
- To prepare and present the Corporate Plan and monitor progress against the Plan's targets.

THE QUALIFICATIONS

- An accountant, preferably professionally qualified, almost certainly with public sector experience and knowledge of Government financing. Proven in managing people and large capital programmes.
- Fully trained in all aspects of financial management, including appropriate IT systems. Experienced in managing change, with a record of leadership and innovation.
- Committed to Merseyside and its regeneration; willing to live in the Merseyside area. (Relocation expenses may be available).

The HAT aims to be an equal opportunities employer.

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# FINANCE DIRECTOR

## Aged under 40

East Midlands — around £50,000 plus car

This is an exceptional opportunity to make a significant contribution to a complex organisation undergoing a fundamental re-appraisal of its business. The company has a £35m turnover and is part of a £2.5bn British group which has extensive, service-based operations in the UK and abroad (mainly Europe and the USA). The company has refocused its marketing and operations towards the delivery of highest quality customer service, through its nationwide branch network serving industrial and commercial customers.

A key ingredient of this process is the enhancement of the finance function to provide rapid, relevant and reliable management services, through an experienced department of 40 staff, with dedicated mainframe capability. The Finance Director will be an integral part of the management team responsible for the strategic development of the business and for driving programmes aimed at increasing business productivity.

As well as offering a rewarding set of challenges in itself this appointment will be a proving ground for progression within a Group that is committed to developing a high-profile commercially-oriented finance function at all levels. Applicants should be Chartered Accountants in their 30's, computer literate, with proven experience of developing and implementing high quality financial control systems and meeting tight reporting deadlines. Exposure to a marketing-led business culture is essential and experience in a multi-location organisation would be an advantage. Ref: 1737/FT. Send CV (with current salary and daytime telephone number) or write or 'phone for an application form to R A Phillips ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 071-493 0156 (24 hours).

*Phillips & Carpenter*
Selection Consultants

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# COMMERCIAL/FINANCIAL DIRECTOR

**Engineering/ Manufacturing Sector**

**West London**

Our client is a major diversified profitable leader in its market sector and is engaged in environmental products and services. Turnover £20m. Due to the impending retirement of the present incumbent, a new broadly experienced appointee is sought who will make the specified contribution to management strategy thinking and profitability.

Reporting to the Managing Director, responsibilities will include commercial and financial control for UK and continental operations and the relevant relationships with the USA parent. Tight cost controls in all aspects of contracts, the achievement of the appropriate business goals and the successful negotiation of profitable contracts are all vital components of the role.

Candidates must be qualified Accountants, ideally in the 35 to 50 age group, who have experience in a marketplace which requires long-term project planning and close monitoring of the profitability of each contract. Strong board level personal qualities are essential, as is the ability to lead a team of key managers.

The substantial basic salary and benefits are supplemented by a generous profit-related bonus.

**Please apply to Peter Barnett, quoting ref. no. 9139, at Barnett Consulting Group Limited, Providence House, River Street, Windsor, Berkshire SL4 1QT.**

**Telephone: 0753 856723 Fax: 0753 866297.**

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# FINANCIAL CONTROLLER

**London**
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## COMMODITIES AND AGRICULTURE

# Guttman declines to step down as Nymex head

By Laurie Morse in Chicago

MR Z Lou Guttman, who on Wednesday afternoon received notice from the Commodity Futures Trading Commission that he was subject to serious trade violation charges, became further embattled on Thursday when the leadership of the New York Mercantile Exchange asked him to step down as chairman.

Mr Guttman, who has maintained his innocence in the trading case, refused to relinquish the chair.

"Mr Guttman respectfully declined to resign, stating that this issue should be decided by the membership, rather than the board," said a statement issued by the exchange on Thursday morning.

Directors of the Nymex, the world's largest energy market, will meet again to consider if they should suspend Mr Guttman under an obscure clause in the rulebook.

A board vote to suspend would have to be ratified by a vote of the entire membership. With many members sympathetic to Mr Guttman's plight, the board could face a membership defeat if it pushed the issue, one exchange official noted.

Mr Guttman was charged with pre-arranged trading and other market violations in connection with trades in options on sugar futures during 1989.

The CFTC civil complaint, which does not entail charges of fraud, says that Mr Harold Magid, Mr Guttman's former partner, executed the allegedly questionable trades for their joint account, but that Mr Guttman still maintained responsibility for the transactions.

# Mongstad faces tough targets

By Karen Fossli

NORWAY'S Mongstad oil refinery may have to be wound down or sold if it fails to improve profitability over the next two years and become as competitive as the best of continental Europe's refineries.

Statoil, the Norwegian state oil company, Mongstad's operator, has implemented a draconian programme to improve the return on its NKr12bn ($1.73bn)investment made in the mid-1980s to upgrade and expand the facility.

Mongstad has an annual refining capacity of 6.5m tonnes. The upgraded facility came on stream at the end of 1989 at a cost overrun of NKr7bn, creating what is widely considered to be one of Norway's biggest ever industrial scandals. The event forced the resignation of Mr Arve Johnsen, chief executive, followed by a reshuffle of the group's executive management.

Statoil said yesterday that it had postponed an estimated NKr600m investment programme for Mongstad meant to enable it to meet European Community targets for gas/oil desulphurisation set for 1996.

Part of the plan to improve profitability calls for a 20 per cent reduction in Mongstad's estimated 950 full-time and temporary employees by the end of 1994.

Mongstad's refining margins sank to just under $3 a barrel last year from just more than $5 a barrel in 1991. The facility's amortisation and finance costs have remained a drain on Statoil's cashflow since it was commissioned.

Last year Mongstad suffered a NKr710m operating loss, including finance costs, versus a NKr797m loss in 1991. Before finance costs, operating losses rose to NKr224m last year from a loss of NKr132m in 1991. Statoil aims to improve Mongstad's "cash" operating profits "amenable to in-house action" by between NKr350m and NKr400m annually – before finance costs and depreciation write-offs – during 1992. Of the total improvements, two-thirds will come from operations and the rest from cost reduction measures.

The relentless problems at Mongstad are a combination of irregular operations and high maintenance costs. Statoil refused yesterday to speculate on specific future options for the refinery.

Mrs Berit Oeyen, a Statoil spokeswoman, said the company would be forced to rethink Mongstad's future if big improvements to profitability are not made by the end of next year.

# LME and Comex in copper wrangle

By Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange was willing to stock copper in its US warehouses if that is what the American industry wanted, Mr Raj Bagri, the LME chairman, indicated at a conference in New York.

He suggested the industry would benefit if it gave up its present system where US copper producers set prices for their domestic market and instead used LME prices. Mr Bagri pointed out that 55 brands of copper produced in 24 countries were registered for trading on the LME. "There is international confidence in our base reference prices which are transparently and independently established," he added.

However, Mr Joseph Robertson Jr, first vice chairman of the New York Commodity Exchange, which also offers a copper contract, said that in his many contacts with US copper producers and consumers "I have yet to find anyone who is interested in pushing or promoting LME pricing for their domestic sales."

The first LME warehouses in the US started operating only a year ago and copper, which is traded in sterling in the LME "ring", was excluded so as not to challenge the Comex copper contract. This is a dollar contract and occasionally presents arbitrage opportunities to LME traders. However, recent turbulence in currency markets caused a change of heart among London-based traders so the LME copper contract will shortly switch from sterling to dollars. This eliminates the main reason for excluding copper from US warehouses.

Mr Bagri said at the conference organised by American Metal Market magazine he did not agree with those who suggested that putting copper into the LME's US warehouses would cause the Comex contract to go into terminal decline. The Comex contract would continue to thrive "so long as Comex continues to meet the expectations of its users and they want to continue to use it."

He said there could be no carving up of territory between exchanges nor any "no-go" areas as far as the LME was concerned. "The LME has a duty and obligation to its users to provide them with the best possible facilities."

Comex's Mr Robertson, who stressed he was speaking personally, made it clear that the New York exchange was in no mood to hand over business to the LME without a fight.

# Hemp ban lifted: but for paper not drugs

By David Blackwell

THE UK Home Office is to allow farmers to start commercial production of hemp for the first time in more than 100 years. The fibres can be used for manufacturing top quality paper.

Growing hemp was banned in the UK under the Misuse of Drugs Act (1971) as it is the source of tetra hydra cannabinol (THC), or cannabis. The Home Office said yesterday that growers would be "subject to strict licensing controls" to make sure that only varieties with no potential for drugs are grown.

However, varieties containing very low amounts of THC are already covered by a long-standing EC regime and are grown in France and Spain. UK farmers will be able to claim an EC grant of about £250 an acre.

Hemp used to be grown in the UK before it was undercut by imports in the days of the British Empire, according to Mr Melvyn Askew, head of crops and horticulture at Adas (the Agricultural Development and Advisory Service). He believes it could once again become a useful crop for UK farmers, who are having to set aside some of their land under the CAP reforms. From a seed the size of wheat, it quickly grows to 4m tall.

"It's annual and easy to grow," he said. "It has a very long fibre, which can be used for paper as well as linen, lace and ropes."

He believes the paper market has big potential. Hemp fibre contains only a small amount of lignium, the yellowing agent which needs expensive and environmentally damaging bleaching treatment in wood pulp.

# Objections to palm oil site near Karachi

By Kieran Cooke in Kuala Lumpur

MALAYSIAN and Pakistani palm oil processors have raised objections to a project to build a large palm oil storage and processing complex near Karachi.

The complex, which will be funded 40 per cent by Pakistan's privately held Westbury Consortium and 60 per cent by Malaysian government and private concerns, aims to sell refined palm oil to the Gulf states and central Asia.

# UN cocoa talks enter final round

By David Blackwell

INTERNATIONAL COCOA Organisation delegates gather in Geneva on Monday for a fourth and final attempt to thrash out a new cocoa agreement under the auspices of the United Nations.

Producers and consumers from 45 countries remain far apart after three previous rounds, but observers are not writing off an agreement yet. "Never underestimate the powers of the UN negotiators, who spend all their lives pushing this sort of thing through," said one London analyst yesterday.

Another pointed out that the last cocoa agreement took five rounds to negotiate, and only in the last did things get moving.

The 1986 agreement, which is operating on a purely administrative basis, ends on September 30. Unlike the coffee agreement, the cocoa accord has no scope for further extensions.

While producers and consumers were in November moving towards agreement over the amount of cocoa which should be withheld from world markets to support prices (between 330,000 and 380,000 tonnes), they were nowhere near agreeing how to finance such a scheme.

The current agreement's market support system collapsed early in 1988 when the ICCO buffer stock hit the maximum permitted level of 250,000 tonnes. Since then some of the cocoa has been sold to finance storage of the remaining 233,000 tonnes.

The buffer stock is owed $137m in unpaid levies, with the Ivory Coast, the biggest producer, owing $75m. The EC, which accounts for 40 per cent of cocoa consumption, is adamant that any new agreement should be financed by sales from the buffer stock and payment of existing levy arrears by some producers. However, producers feel that the financial burden of any new agreement should be shared.

If the financial hurdle is overcome in the next fortnight, the two sides will still have to agree a price range to be defended. Producers in November proposed a range between 1,180 Special Drawing Rights a tonne and SDR 1,770, while consumers urged SDR 840 to SDR 1,260. The ICCO 10-day indicator price was SDR 713.77 on Tuesday.

Adding to the difficulties are the fact that the US, the biggest consumer, is not in the agreement, neither are Malaysia and Indonesia, the fourth and fift biggest producers, who are attending the Geneva talks as observers.

A producer-consumer accord hangs in the balance, writes **William Keeling**

# Rubber dampened by its price

When trading in natural rubber became computerised on the Singapore commodity exchange last year, producers were hoping prices might lift from a three-year trough. One year on, prices remain low and a bitter argument rages between producing and consuming nations over support for the industry.

At the end of this year, the current five-year agreement of the International Natural Rubber Organisation (INRO), which groups together 26 producing and consuming nations, will expire. Producers have set a deadline for the end of March for consumers to indicate whether or not they are willing to negotiate a new agreement.

INRO's system of intervention prices and buffer stock management now hangs in the balance. Industry officials say the US and tyre companies, including Goodyear and Michelin, support renewing the agreement. But the European Community is proving indecisive they say, and tends towards abandoning it.

Under INRO regulations, if the average market price over a six-month period is below the buffer stock intervention price, the intervention price must be cut by 5 per cent.

When the price was reviewed on January 28, the six-month average was 175.95 Malaysian/Singapore cents a kilo, fractionally below the 176 cents a kilo intervention level.

The market price has risen to 187 cents a kilo and producers fear a cut in the intervention price will damage the fragile market recovery. Consumers insist that the cut be implemented. Producers are arguing for intervention levels to be raised under a renegotiated INRO agreement.

Indonesia production is expected to reach 1.67m tonnes by 2000

Dr A.F. Budiman, executive director of the Indonesian Rubber Association, says the current "market price is not remunerative enough to guarantee a long-term re-investment in natural rubber".

Producers still gripe that the international pricing system for rubber is weighted in favour of the tyre companies, which mostly buy direct from processors at a price related to that prevailing on the commodity exchange in Singapore.

The producers allege the exchange price is depressed by the low volume and quality of rubber traded in Singapore. Tyre companies have responded by saying they will reduce direct sales and improve the market's liquidity.

While producers complain direct sales are having a dampening effect on the market, they feel in a weak position vis-a-vis the tyre companies. "There are five major buyers against hundreds of sellers," says Mr Teddy Chua, managing director of Transworld Rubber brokers in Singapore. "They feel the five can hold up better than them."

Producers' complaints, however, may be overblown. Traders say rubber is a fickle commodity and while marginal oversupply at present has resulted in low prices, a shift to a small excess in demand could lift prices sharply.

A recent report by Free University of Amsterdam, funded by the Dutch government on behalf of natural rubber producers, estimates world production will rise from 5.24m in 1990 to 6.66m tonnes in the year 2000.

In the same period, world consumption will rise from 5.23m tonnes to 6.69m.

Longer-term forecasts have world production of 8.57m tonnes and consumption at 8.51m tonnes in 2010.

The report concludes that while supply exceeds demand, "the likelihood of more buffer stock intervention in the next few years is considerable". Last year the stock rose from 60,000 tonnes to 170,000 tonnes and could reach its ceiling of 550,000 tonnes "before 1995".

But a world economic recovery, the report says, could mean a big change. The long period of low prices has led to a fall in the growth of new planting. "If the [world] economy recovers ... it may be difficult to produce enough natural rubber in the second half of the current decade and in the first decade of the next century to satisfy demand."

Increases in production are expected to come from Thailand, rising from 1.27m tonnes in 1990 to 1.76m tonnes by 2000, and Indonesia, from 1.25m tonnes to 1.67m tonnes in the same period. These large increases will be necessary to offset an expected decline in Malaysia's production from 1.32m tonnes to 961,000 tonnes in the current decade.

Donor agencies say farmers replanting now will get a good price when their trees reach maturity. In Indonesia, the World Bank and Asian Development Bank have committed more than $300m in projects to rehabilitate and expand smallholder plantations.

## WORLD COMMODITIES PRICES

### MARKET REPORT

**PLATINUM** group metals closed above the day's lows in London after falling in the wake of an overnight report that Japanese car-makers will cut imports in 1993 and may sell metal from their stockpiles. "Platinum and **PALLADIUM** really needed a shake-out and I think that's what we've seen on the Japanese news, but the main improvement in platinum demand is likely to be in Europe and the US this year," one dealer said. Nymex platinum and palladium futures were down at midday. **RHODIUM** was quoted at $1,500 on the free market in London, down $150 on the day; a possible retreat to $1,400 was predicted.
**ALUMINIUM** and **COPPER** prices moved up to the higher ends of comparatively narrow ranges on the LME. Dealers said aluminium's gains were fostered by reports of a 36,000 tonne production cutback at a US smelter. Talk also circulated that Bonneville Power Administration restrictions will make power increasingly expensive for the aluminium smelters it services.

**Compiled from Reuters**

### London Markets

**SPOT MARKETS**

| Crude oil (per barrel FOB)(Apr) | | + or - |
|---|---|---|
| Dubai | $15.64-5.70 | +.220 |
| Brent Blend (dated) | $17.93-7.98 | +.130 |
| Brent Blend (Apr) | $17.88-7.90 | +.170 |
| W.T.I (1 pm est) | $19.52-9.56 | +.215 |
| **Oil products** (NWE prompt delivery per tonne CIF | | + or - |
| Premium Gasoline | $189-191 | -1.5 |
| Gas Oil | $168-169 | |
| Heavy Fuel Oil | $70-71 | -1 |
| Naphtha | $168-170 | -3.5 |
| Petroleum Argus Estimates | | |
| **Other** | | + or - |
| Gold (per troy oz)♣ | $330.05 | -0.10 |
| Silver (per troy oz)♣ | 364.5c | -1.00 |
| Platinum (per troy oz) | $361.50 | -6.25 |
| Palladium (per troy oz) | $112.00 | -3.00 |
| Copper (US Producer) | 104.0c | |
| Lead (US Producer) | 33.5c | |
| Tin (Kuala Lumpur market) | 15.00r | +0.09 |
| Tin (New York) | 268.5c | |
| Zinc (US Prime Western) | 62.0c | |
| Cattle (live weight)† | 125.32p | +1.62* |
| Sheep (live weight)†♠ | 107.92p | +5.53* |
| Pigs (live weight)† | 84.53p | +0.34* |
| London daily sugar (raw) | $239.0 | +8.5 |
| London daily sugar (white) | $271.0 | +0.5 |
| Tate and Lyle export price | £277.5 | +8.0 |
| Barley (English feed) | £140.0z | |
| Maize (US No 3 yellow) | £165.0 | |
| Wheat (US Dark Northern) | Unq | |
| Rubber (Mar)♥ | 68.00p | +0.25 |
| Rubber (Apr)♥ | 68.25p | +0.25 |
| Rubber (KL RSS No 1 Feb) | 232.5m | -1.0 |
| Coconut oil (Philippines)§ | $445.0y | -2.5 |
| Palm Oil (Malaysian)§ | $437.5w | |
| Copra (Philippines)§ | $277.5 | |
| Soyabeans (US) | £165.0u | +2.5 |
| Cotton "A" index | 61.25c | +0.05 |
| Wooltops (64s Super) | 400p | |

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Feb/Apr. x-Aug. w-Feb/Mar z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

| SUGAR – London FOX | | ($ per tonne) | |
|---|---|---|---|
| Raw | Close | Previous | High/Low |
| Mar | 206.00 | 195.00 | 206.00 205.60 |
| May | 214.00 | 213.00 | 214.00 |
| Aug | 214.00 | 212.00 | 214.00 |
| White | Close | Previous | High/Low |
| May | 266.50 | 268.50 | 269.00 265.00 |
| Aug | 268.40 | 270.00 | 270.10 267.00 |
| Oct | 254.40 | 255.50 | 254.30 253.50 |

Turnover: Raw 61 (168) lots of 50 tonnes. White 1008 (1351) Paris- White (FFr per tonne): May 1494.74 Aug 1531.88

| CRUDE OIL – IPE | | | $/barrel |
|---|---|---|---|
| | Latest | Previous | High/Low |
| Apr | 17.89 | 17.73 | 17.91 17.62 |
| May | 17.96 | 17.77 | 17.99 17.69 |
| Jun | 17.95 | 17.85 | 17.95 17.77 |
| Jul | 17.97 | 17.90 | 18.00 17.82 |
| IPE Index | 17.83 | 18.03 | 17.83 |

Turnover 16962 (27434)

| GAS OIL – IPE | | | $/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Mar | 166.25 | 166.00 | 166.50 165.00 |
| Apr | 166.00 | 166.25 | 166.60 165.00 |
| May | 165.75 | 165.75 | 166.25 164.75 |
| Jun | 166.00 | 165.50 | 166.25 165.00 |
| Jul | 167.00 | 166.75 | 167.25 166.00 |
| Aug | 169.00 | 168.50 | 168.25 168.00 |
| Oct | 173.00 | 172.50 | 172.00 |
| Nov | 174.00 | | 174.00 |

Turnover 12615 (6763) lots of 100 tonnes

**FRUIT & VEGETABLES**
Lemons are this week's best buy at 8-20p each (8-20p), along with other citrus fruit - oranges at 10-30p a lb (10-30p) and grapefruit at 12-25p each (12-25p) reports FFVIB. Grapes remain good at £1.25-1.60 a lb (£1.50-1.60) for white seedless varieties. Broccoli from Spania is reasonably priced at 45-55p per 8oz prepack (45-60p), carrots at 18-20p a lb (18-20p), English Savoy cabbage at 25-35p a lb (25-35p) and onions at 15-20p a lb (15-20p). Round lettuce at 20-30p each (25-35p), and tomatoes at 60-75p a lb (60-65p) are excellent salad buys.

| COCOA – London FOX | | | £/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Mar | 718 | 722 | 730 717 |
| May | 728 | 731 | 737 725 |
| Jul | 741 | 743 | 747 738 |
| Sep | 753 | 755 | 759 750 |
| Dec | 770 | 775 | 775 768 |
| Mar | 791 | 794 | 796 790 |
| Sep | 833 | 838 | 839 837 |
| Dec | 858 | 862 | 865 860 |

Turnover: 6346 (3513) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 18 732.23 (740.43) 10 day average for Feb 17 715.85 (713.77)

| COFFEE – London FOX | | | $/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Mar | 948 | 943 | 952 932 |
| May | 945 | 942 | 953 930 |
| Jul | 917 | 912 | 920 902 |
| Sep | 925 | 912 | 927 906 |
| Nov | 931 | 929 | 935 915 |
| Jan | 947 | 941 | 949 925 |

Turnover:2778 (2707) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 17: Comp. daily 57.52 (57.61) 15 day average 56.28 (55.97)

| POTATOES – London FOX | | | £/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Mar | 50.0 | | 55.0 |
| Apr | 42.0 | 41.5 | 41.5 41.0 |
| May | 44.0 | 44.0 | 43.0 |
| Apr | 90.0 | 90.0 | 87.5 |

Turnover 55 (38) lots of 20 tonnes.

| SOYAMEAL – London FOX | | | £/tonne |
|---|---|---|---|
| | Close | Previous | High/Low |
| Apr | 155.00 | | 155.00 |
| Jun | 146.50 | 144.50 | 147.00 146.50 |
| Aug | 148.50 | 144.00 | 148.50 |

Turnover 250 (100) lots of 20 tonnes.

| FREIGHT – London FOX | | | $10/index point |
|---|---|---|---|
| | Close | Previous | High/Low |
| Feb | 1380 | 1380 | 1385 1380 |
| Mar | 1375 | 1390 | 1390 1375 |
| Apr | 1368 | 1369 | 1380 1365 |
| Jul | 1196 | 1200 | 1200 1195 |
| Oct | 1356 | 1351 | 1360 1355 |
| BFI | 1362 | 1351 | 1362 |

Turnover 154 (288)

| GRAINS – London FOX | | | £/tonne |
|---|---|---|---|
| Wheat | Close | Previous | High/Low |
| Mar | 142.25 | 141.80 | 142.50 142.25 |
| May | 144.00 | 143.60 | 144.10 144.00 |
| Sep | 110.25 | 110.10 | 110.25 |
| Nov | 112.25 | 112.00 | 112.50 112.25 |
| Mar | 118.25 | | 118.25 |
| Barley | Close | Previous | High/Low |
| Mar | 139.25 | 139.00 | 139.25 |
| Nov | 111.00 | 110.65 | 111.00 |

Turnover: Wheat 159 (166), Barley 58 (28).
Turnover lots of 100 Tonnes.

| PIGS – London FOX | | (Cash Settlement) p/kg | |
|---|---|---|---|
| | Close | Previous | High/Low |
| Feb | 106.5 | | 106.5 |
| Mar | 108.5 | 108.0 | 108.5 |
| Apr | 108.0 | 107.5 | 108.0 107.5 |
| Jun | 106.0 | | 106.0 |

Turnover:7 (-) lots of 3,250 kg

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| **Aluminium, 99.7% purity ($ per tonne)** | | | | | | Total daily turnover 21,771 lots |
| Cash | 1208-9 | 1201-2 | | 1204.5-5.0 | | |
| 3 months | 1230-1 | 1223-3.5 | 1232/1223 | 1226-6.5 | 1229-9.5 | 162,978 lots |
| **Copper, Grade A (£ per tonne)** | | | | | | Total daily turnover 12,829 lots |
| Cash | 1538-9 | 1532-3 | 1556 | 1554-4.5 | | |
| 3 months | 1562-3 | 1556-7 | 1586/1553 | 1578-8.5 | 1558-9 | 151,891 lots |
| **Lead (£ per tonne)** | | | | | | Total daily turnover 1,900 lots |
| Cash | 287.5-8.5 | 287.5-8.5 | 289 | 288.5-8.75 | | |
| 3 months | 297-8 | 297.5-8.0 | 301/296 | 298.5-9.0 | 296.5-7.0 | 17,130 lots |
| **Nickel ($ per tonne)** | | | | | | Total daily turnover 5,562 lots |
| Cash | 6205-10 | 6220-30 | | 6180-90 | | |
| 3 months | 6270-5 | 6285-90 | 6290/6220 | 6245-50 | 6255-60 | 41,042 lots |
| **Tin ($ per tonne)** | | | | | | Total daily turnover 1,713 lots |
| Cash | 5800-10 | 5790-800 | 5797/5795 | 5797-8 | | |
| 3 months | 5860-70 | 5850-60 | 5870/5850 | 5855-60 | 5860-70 | 8,334 lots |
| **Zinc, Special High Grade ($ per tonne)** | | | | | | Total daily turnover 7,629 lots |
| Cash | 1061-2 | 1064-5 | 1059.5 | 1059.5-60.0 | | |
| 3 months | 1080-1 | 1084.5-5.0 | 1083/1078 | 1078.5-9.0 | 1080-1 | 61,492 lots |

LME Closing £/$ rate:
SPOT: 1.4455 3 months: 1.4355 6 months: 1.4276 9 months: 1.4216

**LONDON BULLION MARKET**
(Prices supplied by N M Rothschild)

| Gold (troy oz) | $ price | £ equivalent |
|---|---|---|
| Close | 329.90-330.20 | |
| Opening | 329.70-330.00 | |
| Morning fix | 329.00 | 228.941 |
| Afternoon fix | 329.35 | 228.818 |
| Day's high | 330.00-330.30 | |
| Day's low | 328.80-329.10 | |

| Loco Ldn Mean Gold Lending Rates (Vs US$) | | | |
|---|---|---|---|
| 1 month | 2.59 | 6 months | 2.54 |
| 2 months | 2.55 | 12 months | 2.54 |
| 3 months | 2.55 | | |

| Silver fix | p/troy oz | US cts equiv |
|---|---|---|
| Spot | 256.85 | 365.60 |
| 3 months | 260.65 | 368.30 |
| 6 months | 264.25 | 371.40 |
| 12 months | 270.85 | 377.85 |

**GOLD COINS**

| | $ price | £ equivalent |
|---|---|---|
| Krugerrand | 329.00-332.00 | 229.00-231.00 |
| Maple leaf | 339.90-342.15 | - |
| New Sovereign | 78.50-81.50 | 55.00-57.00 |

**TRADED OPTIONS**

| Aluminium (99.7%) | Calls | | Puts | |
|---|---|---|---|---|
| Strike price $ tonne | Mar | Jun | Mar | Jun |
| 1150 | 75 | 90 | 3 | 6 |
| 1200 | 34 | 65 | 10 | 17 |
| 1250 | 10 | 38 | 36 | 37 |
| **Copper (Grade A)** | Calls | | Puts | |
| 2200 | 55 | 80 | 19 | 38 |
| 2250 | 28 | 53 | 42 | 59 |
| 2300 | 12 | 34 | 75 | 88 |
| **Coffee** | May | Jul | May | Jul |
| 900 | 78 | 72 | 31 | 56 |
| 950 | 49 | 51 | 54 | 84 |
| 1000 | 31 | 37 | 86 | 120 |
| **Cocoa** | May | Jul | May | Jul |
| 700 | 46 | 67 | 18 | 26 |
| 725 | 32 | 52 | 29 | 36 |
| 750 | 22 | 39 | 44 | 48 |
| **Brent Crude** | Apr | May | Apr | May |
| 800 | 24 | 45 | - | 64 |
| 850 | 10 | 21 | 67 | 97 |
| 900 | 5 | 15 | - | - |

### New York

| GOLD 100 troy oz.; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 330.7 | 331.0 | 331.3 | 330.5 |
| Apr | 331.5 | 331.5 | 332.8 | 329.8 |
| Jun | 332.8 | 332.8 | 334.2 | 331.0 |
| Aug | 334.1 | 334.1 | 334.8 | 332.7 |
| Oct | 335.5 | 335.5 | 336.3 | 336.3 |
| Dec | 337.0 | 337.0 | 337.5 | 335.5 |
| Feb | 338.6 | 338.6 | 337.5 | 337.5 |
| Apr | 340.2 | 340.3 | 340.0 | 338.4 |

| PLATINUM 50 troy oz; $/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 359.8 | 359.8 | 0 | 0 |
| Apr | 363.5 | 366.5 | 364.0 | 360.5 |
| Jul | 360.8 | 363.6 | 361.5 | 359.5 |
| Oct | 359.0 | 361.1 | 0 | 0 |
| Jan | 356.8 | 359.1 | 0 | 0 |

| SILVER 5,000 troy oz; cents/troy oz. | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 363.0 | 365.0 | 0 | 0 |
| Mar | 363.3 | 365.3 | 366.0 | 363.0 |
| May | 365.8 | 367.8 | 368.5 | 365.5 |
| Jul | 368.1 | 370.2 | 371.0 | 368.0 |
| Sep | 370.5 | 372.7 | 372.5 | 371.5 |
| Dec | 374.1 | 376.4 | 376.5 | 374.0 |
| Jan | 374.8 | 377.2 | 0 | 0 |
| Mar | 378.0 | 380.5 | 380.5 | 378.0 |
| May | 380.7 | 383.4 | 385.0 | 381.5 |
| Jul | 383.4 | 386.2 | 0 | 0 |

| HIGH GRADE COPPER 25,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 98.90 | 98.75 | 98.90 | 98.85 |
| Mar | 99.00 | 98.95 | 98.45 | 98.85 |
| Apr | 99.35 | 99.30 | 0 | 0 |
| May | 99.65 | 99.65 | 100.00 | 99.55 |
| Jun | 99.90 | 99.90 | 100.25 | 100.15* |
| Jul | 100.20 | 100.15 | 100.60 | 100.10 |
| Aug | 100.45 | 100.40 | 0 | 0 |
| Sep | 100.75 | 100.70 | 101.30 | 100.90 |

| CRUDE OIL (Light) 42,000 US galls $/barrel | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Mar | 19.52 | 19.33 | 19.53 | 19.19 |
| Apr | 19.61 | 19.36 | 19.63 | 19.21 |
| May | 19.70 | 19.42 | 19.70 | 19.31 |
| Jun | 19.80 | 19.49 | 19.83 | 19.40 |
| Jul | 19.90 | 19.58 | 19.90 | 19.46 |
| Aug | 19.74 | 19.60 | 19.75 | 19.54 |
| Sep | 19.89 | 19.64 | 19.85 | 19.58 |
| Oct | 19.94 | 19.69 | 19.94 | 19.62 |
| Nov | 19.63 | 19.69 | 0 | 0 |
| Dec | 20.00 | 19.69 | 19.92 | 19.67 |

| HEATING OIL 42,000 US galls. cents/US galls | | | | |
|---|---|---|---|---|
| | Latest | Previous | High/Low | |
| Mar | 54.85 | 54.63 | 54.90 | 54.05 |
| Apr | 55.00 | 54.48 | 55.00 | 54.00 |
| May | 54.45 | 53.88 | 54.45 | 53.55 |
| Jun | 54.15 | 53.60 | 54.20 | 53.40 |
| Jul | 54.50 | 53.67 | 54.50 | 53.70 |
| Aug | 55.40 | 54.56 | 55.40 | 54.95 |
| Sep | 56.05 | 55.68 | 56.06 | 56.05 |
| Oct | 57.05 | 56.68 | 57.08 | 57.05 |
| Nov | 58.03 | 57.53 | 58.03 | 58.03 |
| Dec | 59.00 | 58.38 | 59.00 | 58.40 |

| COCOA 10 tonnes;$/tonnes | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 898 | 897 | 900 | 884 |
| May | 928 | 929 | 936 | 913 |
| Jul | 953 | 955 | 958 | 940 |
| Sep | 980 | 983 | 985 | 967 |
| Dec | 1012 | 1016 | 1014 | 1000 |
| Mar | 1042 | 1046 | 1042 | 1030 |
| May | 1065 | 1072 | 1068 | 1058 |
| Jul | 1085 | 1092 | 1082 | 1082 |
| Sep | 1108 | 1119 | 1105 | 1105 |
| Dec | 1145 | 1157 | 1140 | 1135 |

| COFFEE "C" 37,500lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 63.30 | 62.35 | 64.50 | 63.10 |
| May | 67.50 | 66.50 | 67.85 | 67.10 |
| Jul | 69.10 | 68.25 | 69.50 | 69.00 |
| Sep | 70.75 | 70.05 | 71.10 | 70.70 |
| Dec | 73.45 | 72.75 | 73.60 | 73.25 |
| Mar | 75.65 | 75.25 | 76.50 | 75.50 |
| May | 78.00 | 77.50 | 0 | 0 |

| SUGAR WORLD "11" 112,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 9.05 | 9.33 | 9.50 | 8.99 |
| May | 9.49 | 9.65 | 9.77 | 9.47 |
| Jul | 9.64 | 9.72 | 9.78 | 9.60 |
| Oct | 9.09 | 9.28 | 9.25 | 9.08 |
| Mar | 8.96 | 9.08 | 9.09 | 8.95 |
| May | 8.98 | 9.08 | 0 | 0 |
| Jul | 8.98 | 9.10 | 0 | 0 |

| COTTON 50,000; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 63.87 | 62.55 | 64.00 | 62.70 |
| May | 63.80 | 63.10 | 64.30 | 63.40 |
| Jul | 64.90 | 64.10 | 65.15 | 64.45 |
| Oct | 64.20 | 63.65 | 64.20 | 63.70 |
| Dec | 62.95 | 62.68 | 63.20 | 62.65 |
| Mar | 64.00 | 63.53 | 63.50 | 63.50 |
| May | 64.50 | 64.15 | 64.20 | 64.05 |
| Jul | 65.00 | 64.70 | 0 | 0 |

| ORANGE JUICE 15,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 68.70 | 70.30 | 70.95 | 68.50 |
| May | 72.30 | 73.80 | 74.30 | 72.30 |
| Jul | 75.30 | 76.90 | 77.30 | 75.30 |
| Sep | 78.30 | 80.00 | 81.00 | 78.30 |
| Nov | 81.05 | 82.60 | 84.50 | 83.00 |
| Jan | 83.75 | 85.25 | 87.00 | 84.50 |
| Mar | 86.75 | 88.75 | 88.50 | 86.00 |
| May | 87.50 | 90.25 | 90.30 | 90.30 |
| Jul | 88.75 | 90.30 | 0 | 0 |

**INDICES**

| REUTERS (Base.September 18 1931 = 100) | | | |
|---|---|---|---|
| Feb 18 | Feb 17 | mnth ago | yr ago |
| 1780.2 | 1772.6 | 1706.7 | 1601.1 |

| DOW JONES (Base: Doc. 31 1974 = 100) | | | | |
|---|---|---|---|---|
| | Feb 17 | Feb 16 | mnth ago | yr ago |
| Spot | 125.36 | 125.15 | 124.06 | 119.07 |
| Futures | 126.24 | 125.22 | 122.14 | 121.90 |

### Chicago

| SOYABEANS 5,000 bu min; cents/60lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 573/2 | 573/2 | 575/6 | 571/4 |
| May | 574/6 | 575/4 | 577/0 | 573/0 |
| Jul | 578/4 | 580/2 | 581/0 | 577/2 |
| Aug | 580/2 | 582/4 | 582/2 | 579/2 |
| Sep | 580/6 | 583/0 | 583/0 | 579/4 |
| Nov | 586/2 | 588/2 | 589/2 | 585/0 |
| Jan | 593/0 | 597/0 | 596/4 | 592/6 |
| Mar | 600/0 | 603/2 | 0 | 0 |

| SOYABEAN OIL 60,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 20.77 | 20.96 | 21.05 | 20.73 |
| May | 21.04 | 21.26 | 21.32 | 21.01 |
| Jul | 21.26 | 21.45 | 21.62 | 21.23 |
| Aug | 21.30 | 21.50 | 21.62 | 21.29 |
| Sep | 21.32 | 21.53 | 21.68 | 21.32 |
| Oct | 21.35 | 21.57 | 21.72 | 21.35 |
| Dec | 21.44 | 21.68 | 21.80 | 21.42 |
| Jan | 21.44 | 21.70 | 0 | 0 |

| SOYABEAN MEAL 100 tons; $/ton | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 177.6 | 177.8 | 178.3 | 177.4 |
| May | 178.9 | 179.0 | 179.6 | 178.6 |
| Jul | 180.9 | 181.1 | 181.4 | 180.5 |
| Aug | 181.9 | 181.9 | 182.3 | 181.4 |
| Sep | 182.6 | 182.8 | 183.3 | 182.3 |
| Oct | 183.7 | 183.7 | 184.2 | 183.2 |
| Dec | 185.4 | 185.7 | 186.0 | 185.0 |
| Jan | 185.3 | 186.1 | 0 | 0 |

| MAIZE 5,000 bu min; cents/56lb bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 212/6 | 212/4 | 214/0 | 212/4 |
| May | 220/2 | 220/2 | 222/0 | 220/2 |
| Jul | 227/4 | 227/4 | 229/0 | 227/4 |
| Sep | 233/6 | 233/6 | 234/6 | 233/4 |
| Dec | 239/6 | 240/2 | 241/2 | 239/4 |
| Mar | 246/4 | 247/0 | 247/4 | 246/4 |
| May | 250/4 | 251/0 | 251/4 | 250/4 |
| Dec | 249/4 | 249/0 | 249/4 | 249/4 |

| WHEAT 5,000 bu min; cents/60lb-bushel | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Mar | 365/2 | 368/6 | 371/6 | 365/0 |
| May | 338/6 | 343/0 | 345/0 | 338/4 |
| Jul | 318/6 | 323/4 | 325/0 | 318/0 |
| Sep | 323/0 | 328/4 | 328/4 | 322/2 |
| Dec | 330/4 | 337/0 | 338/6 | 330/4 |
| Mar | 335/2 | 338/4 | 0 | 0 |

| LIVE CATTLE 40,000 lbs; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 82.850 | 82.875 | 82.975 | 82.500 |
| Apr | 79.300 | 79.125 | 79.550 | 78.875 |
| Jun | 73.375 | 73.225 | 73.650 | 72.950 |
| Aug | 70.550 | 70.700 | 71.225 | 70.400 |
| Oct | 72.200 | 72.050 | 72.350 | 71.850 |
| Dec | 72.750 | 72.625 | 72.900 | 72.475 |
| Feb | 82.850 | 82.875 | 82.875 | 82.600 |

| LIVE HOGS 40,000 lb; cents/lbs | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 45.900 | 45.150 | 45.900 | 45.000 |
| Apr | 44.825 | 44.675 | 44.950 | 44.500 |
| Jun | 50.325 | 50.100 | 50.350 | 49.925 |
| Jul | 49.025 | 48.900 | 49.200 | 48.750 |
| Aug | 46.550 | 46.475 | 46.700 | 46.300 |
| Oct | 41.850 | 41.900 | 42.000 | 41.700 |
| Dec | 42.850 | 42.800 | 43.100 | 42.650 |
| Feb | 43.050 | 43.025 | 43.225 | 43.000 |

| PORK BELLIES 40,000 lbs; cents/lb | | | | |
|---|---|---|---|---|
| | Close | Previous | High/Low | |
| Feb | 37.350 | 37.000 | 37.350 | 36.600 |
| Mar | 37.375 | 37.225 | 37.600 | 36.850 |
| May | 38.600 | 38.425 | 38.700 | 38.050 |
| Jul | 39.100 | 38.825 | 39.225 | 38.400 |
| Aug | 37.425 | 37.450 | 37.700 | 37.300 |

# Strong recovery in higher turnover

By Terry Byland, UK Stock Market Editor

THE BURDENS laid on the London stock market earlier this week were lifted significantly yesterday and share prices bounced back confidently in good trading volume. The favourable response from Wall Street and the US dollar to President Clinton's State of the Union Message set the stage for a good performance by UK equities. The market was further encouraged by good interim results from Glaxo, relief that two potential rights issue hurdles were cleared, and an acceptable set of data on the UK economy.

At best, the market was 38.1 up on the Footsie scale, but gains were trimmed in the second half of the session when Wall Street lost part of its early gain to show an advance of 17 points on the Dow Average as London closed. The final reading on the FT-SE 100 Index showed a 23.7 rise at 2,837.7.

Blue chip stocks opened strongly as the US dollar steadied and London noted with relief Wall Street's firmness overnight following President Clinton's speech.

Trading results from Glaxo were significantly better than some market fears and the stock market caught the hint from the boardroom that no rights issue or major acquisition was in the pipeline.

Another of the rights issue threats overhanging equities was soothed when Kingfisher, the UK retail store, confirmed its £1.1bn merger with Darty, the leading French electrical retailer, but called for only £313m from shareholders, much less than had been feared when the deal was first mooted three weeks ago.

The disclosure that unemployment in the UK had indeed risen above 3m, to 10.6 per cent of the workforce in January, had been well foreseen in the City of London and had little effect on share prices. More encouraging was the increase of £2.1bn in UK bank lending last month, although strategists agreed that this should not be regarded as conclusive evidence of increased economic activity.

Heavy turnover in Glaxo made up about 3.6 per cent of the day's Seaq total of 637.2m shares. Stocks in the pharmaceutical group had been depressed ahead of the profits statement.

However, some analysts refused to shed their doubts on Glaxo's longer term outlook, and the shares ended well under the day's best levels.

The focus on the blue chip stocks yesterday was reflected in a slight fall in trading among non-Footsie shares, which made up just under 60 per cent of the day's Seaq total. However, the FT-SE Mid 250 Index climbed by 22.9 to 3,040.3. On Wednesday, Seaq volume of 618.6m shares was worth £1.2bn in retail worth.

Good results in the merchant banking sector brought gains among the financial stocks. The market's conviction that domestic interest rates will be cut again at Budget time, now only a few weeks away, helped shares in building, construction and property companies.

The stock market has now effectively recovered the ground lost at the beginning of the week when Wall Street fell sharply as it reacted to the first hints of President Clinton's taxation plans. The Footsie 2,800 area appears to have established itself as a support level and traders now hope to see the market move up towards the 2,900 mark again as it awaits the Budget speech from the UK chancellor of the exchequer.

## TRADING VOLUME IN MAJOR STOCKS

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| ASDA Group | 6,900 | 63½ | +1½ |
| Abbey National | 8,600 | 376 | +11 |
| Albert Fisher | 7,200 | 58 | +2 |
| Allied-Lyons | 2,000 | 598 | +6 |
| Amstrad | 2,000 | 24 | +1 |
| Anglian Water | 654 | 509 | |
| Argos | 391 | 272 | +4 |
| Argyll Group | 2,100 | 373 | +5 |
| Arjo Wiggins | 1,200 | 168 | −2 |
| Ass. Brit. Foods | 368 | 474 | +10 |
| Ass Brit. Ports | 672 | 376 | +11 |
| BAA | 1,000 | 781 | +11 |
| BAT Inds | 2,800 | 964 | +6 |
| BET | 2,100 | 97 | −4 |
| BICC | 788 | 340 | −1 |
| BOC | 901 | 748 | +6 |
| BP | 8,800 | 262½ | +1½ |
| BPB Inds | 4,000 | 229 | +3 |
| BT | 6,000 | 402 | +4 |
| BT New | 2,300 | 297 | +4 |
| BTR | 3,000 | 552 | +3 |
| Bank of Scotland | 1,100 | 134 | |
| Barclays | 3,000 | 437 | +6 |
| Bass | 2,100 | 585 | +8 |
| Berisford Int. | 24 | 125 | |
| Blue Circle | 3,300 | 227 | +12 |
| Booker | 922 | 415 | −1 |
| Boots | 3,500 | 500 | +8 |
| Bowater | 1,300 | 515 | +18 |
| Brit. Aerospace | 1,600 | 250 | +5 |
| British Airways | 4,800 | 287 | +7 |
| British Gas | 3,600 | 291½ | |
| British Land | 595 | 229 | +4 |
| British Steel | 3,900 | 75¼ | −½ |
| Bunzl | 921 | 134 | |
| Burmah Castrol | 188 | 700 | +6 |
| Burton | 5,700 | 75 | +4½ |
| Cable & Wire. | 2,600 | 739 | −1 |
| Cadbury Schweppes | 2,000 | 465 | +1 |
| Calor Group | 71 | 243 | −3 |
| Carlton Comms. | 980 | 772 | +4 |
| Coats Viyella | 2,200 | 225 | +2 |
| Comm. Union | 833 | 593 | |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Cookson | 1,000 | 209 | +2 |
| Courtaulds | 347 | 565 | +8 |
| Dalgety | 151 | 489 | +3 |
| De La Rue | 452 | 898 | +2 |
| Dixons | 1,400 | 223 | +5 |
| Eastern Elect. | 682 | 448 | −2 |
| East Midland Elect. | 1,100 | 425 | −6 |
| Eng China Clays | 358 | 458 | +9 |
| Enterprise Oil | 132 | 464½ | −1½ |
| Eurotunnel Units | 122 | 475 | +8 |
| FKI | 687 | 126 | +3 |
| Fisons | 1,400 | 239 | +1 |
| Foreign & Col I.T | 1,400 | 224 | +3 |
| Forte | 4,700 | 194½ | +1½ |
| Gen. Accident | [illegible] | [illegible] | [illegible] |
| General Elec. | [illegible] | [illegible] | [illegible] |
| Glaxo | [illegible] | [illegible] | [illegible] |
| Glynwed Int. | [illegible] | [illegible] | [illegible] |
| Granada | [illegible] | [illegible] | [illegible] |
| Grand Met | [illegible] | [illegible] | [illegible] |
| GUS A | [illegible] | [illegible] | [illegible] |
| GRE | [illegible] | [illegible] | [illegible] |
| GKN | [illegible] | [illegible] | [illegible] |
| Guinness | [illegible] | [illegible] | [illegible] |
| HSBC (75p shs) | [illegible] | [illegible] | [illegible] |
| Hammerson "A" | 974 | 283 | +8 |
| Hanson | 11,000 | 246 | +1½ |
| Hanson Warrants | 699 | 25½ | +1¼ |
| Harrisons Crosfield | 1,400 | 169 | |
| Hillsdown | 4,200 | 155 | +5½ |
| IMI | 224 | 268 | +6 |
| ICI | 2,800 | 1128 | +4 |
| Inchcape | 878 | 581 | +7 |
| Kingfisher | 8,500 | 557 | +30 |
| Kwik Save | 281 | 800 | −2 |
| Ladbroke | 3,700 | 196 | −2 |
| Land Securities | 1,000 | 472½ | +1½ |
| Laporte | 473 | 665 | +3 |
| Legal & General | 1,200 | 482 | +10 |
| Lloyds Abbey | 236 | 426 | +5 |
| Lloyds Bank | 3,900 | 505 | |
| LASMO | 2,700 | 172 | |
| London Elect. | 211 | 449 | −2 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Lonrho | 2,900 | 90 | −½ |
| Lucas | 1,800 | 146 | +1 |
| MB Caradon | 191 | 312 | +4 |
| MEPC | 836 | 369 | +7 |
| Manweb | 16 | 487 | −4 |
| Marks & Spencer | 4,200 | 339 | −½ |
| Midlands Elect. | 97 | 472 | −2 |
| Morrison (Wm.) | 1,200 | 163 | |
| NFC | 454 | 271 | +1 |
| NatWest Bank | 1,800 | 443 | +8 |
| National Power | 4,300 | 314 | +2 |
| Next | 1,000 | 140½ | −1½ |
| North West Water | 1,100 | 494 | +1 |
| Northern Elect. | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Reckitt & Colman | 1,400 | 622 | +8 |
| Redland | 981 | 455 | +7 |
| Reed Intl. | 865 | 547 | +1 |
| Rentokil | 315 | 225 | +6 |
| Reuters | 830 | 1322 | −3 |
| Rolls Royce | 3,000 | 127 | |
| Rothmans | 695 | 610 | −1 |
| Ryl Bk Scotland | 3,700 | 240 | |
| Royal Insurance | 400 | 285 | −1 |
| Saatchi | 433 | 185 | −1 |
| Sainsbury | 2,500 | 516 | +5 |
| Scottish & New. | 1,700 | 427 | +3 |
| Scot. Hydro-Elect. | 1,000 | 250 | |
| Scottish Power | 1,100 | 232½ | −½ |
| Sears | 4,800 | 100¼ | +½ |
| Sedgwick | 1,300 | 178 | +2 |
| Seeboard | 38 | 463 | −1 |
| Severn Trent Water | 1,800 | 491 | +1 |

| | Volume 000's | Closing Price | Day's change |
|---|---|---|---|
| Shell Transport | 4,500 | 582 | +4½ |
| Siebe | 1,300 | 472 | +9 |
| Slough Ests | 1,000 | 185 | +5 |
| Smith (W.H.) A | 384 | 425 | |
| Smith & Nephew | 2,200 | 161 | +½ |
| SmKl Beecham | 2,300 | 443½ | +4¼ |
| SmKl Beecham Uts. | 1,800 | 385½ | +3½ |
| Smiths Inds. | 1,500 | 347 | −2 |
| Southern Elect. | 676 | 454 | −2 |
| South Wales Elect. | 320 | 519 | −1 |
| South West Water | 189 | 523 | +5 |
| South West. Elect. | 470 | 470 | −3 |
| Southern Water | 452 | 505 | +7 |
| Standard Chartd | [illegible] | [illegible] | [illegible] |
| [illegible] | [illegible] | [illegible] | [illegible] |
| Thorn EMI | 348 | 855 | +2 |
| Tomkins | 3,900 | 280 | +5 |
| Trafalgar House | 1,700 | 77½ | +½ |
| Unigate | 1,100 | 349 | −7 |
| Unilever | 2,100 | 1155 | +10 |
| United Biscuits | 1,800 | 350 | +1 |
| Utd. Newspapers | 318 | 524 | |
| Vodafone | 1,700 | 392 | +7 |
| Warburg (SG) | 347 | 626 | +9 |
| Wellcome | 1,800 | 907 | +9 |
| Welsh Water | 76 | 563 | +6 |
| Wessex Water | 103 | 608 | +2 |
| Whitbread 'A' | 825 | 455 | |
| Williams Hldgs. | 1,600 | 353 | +6 |
| Willis Corroon | 1,100 | 182 | +6 |
| Wimpey | 999 | 139 | +9 |
| Wolseley | 323 | 550 | −6 |
| Yorkshire Elect. | 789 | 498 | −1 |
| Yorkshire Water | 602 | 549 | +4 |

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

### Account Dealing Dates

| | | |
|---|---|---|
| *First Dealings: | | |
| Feb 1 | Feb 15 | Mar 1 |
| Option Declarations: | | |
| Feb 11 | Feb 25 | Mar 11 |
| Last Dealings: | | |
| Feb 12 | Feb 26 | Mar 12 |
| Account Day: | | |
| Feb 22 | Mar 8 | Mar 22 |

*New time dealings may take place from 8.30am two business days earlier.

# Heavy trade in Glaxo

AN IMPRESSIVE set of half-year figures from pharmaceuticals group Glaxo prompted one of the biggest daily turnovers in the stock recorded over the past decade. By the close of trading yesterday, more than 23m shares had been dealt in London and the share price, which reached a high of 710p at one stage, closed a net 22 ahead at 684p.

When the figures were announced early in the session, the share price shot up sharply, offering an opportunity for UK institutions to sell into strength. But the momentum was checked only briefly and it soon rallied ahead of the start of trading on Wall Street. US investors were equally enthusiastic about Glaxo's figures and it was only towards the close in London that the selling pressure returned.

The market was reassured by a denial that Glaxo was planning a massive rights issue, contrary to speculation that has dogged the stock over the past few weeks. Also, the headline profit figure of £819m was way above the forecast range of £780m to £800m and analysts were particularly impressed by sales of Glaxo's main earner, the ulcer drug Zantac, which grew by 16 per cent to £1.03bn.

Most houses raised forecasts. Hoare Govett, around the top of the range, moved to £1.728bn for the current year and £2.032bn for 1994, while James Capel moved to £1.675bn and £1.82bn. However, even the bulls conceded that US sentiment was likely to drag on the share price for some time.

Reaction to the results helped the rest of the pharmaceuticals sector. **Wellcome** gained 9 to 907p and **SmithKline Beecham** rose 4¼ to 443¼p in the 'A's and 3¼ to 385½p in the Units.

## Stores deal

After weeks of speculation, Kingfisher finally sealed the deal to buy Darty, the French electrical group, and the relief factor sent the stock surging. Sentiment was also helped by Kingfisher's estimate of its profits to January 1993 which at £233m were several million ahead of most analysts forecasts. The shares jumped 30 to 557p in heavy trade of 8.2m.

The upbeat presentation and details of the deal prompted a welter of upgrades as analysts took account of the effect of France's leading electrical retailer on Kingfisher's profits. Kleinworth Benson increased its current year preliminary estimate from £255m to £320m, while others were said to be as high as £340m. There were also a number of buy recommendations issued.

However, the mergerr was not without its critics. Questions over the state of the French electrical market, the French economy and Darty's financial situation were all raised by analysts doubtful over the synergies of the takeover. One bearish analyst said "I cannot see the value for shareholders in this deal," and retained his negative stance.

A more positive Mr Andy Hughes at Nomura commented: "I'm reasonably assured. The deal is earnings enhancing and it takes Kingfisher into a new market without dilution."

On the domestic front, Kingfisher said Comet was performing well, although the DIY chain B&Q was in the doldrums. This was said to be the main reason for the fall in Ladbroke shares, off 2 at 196p, and the weakness in WH Smith shares, steady at 425p.

Conglomerate Hanson was steady in reaction to the news of the US tax proposals. Mr Jack L. Kelly of Goldman Sachs in the US argues that Hanson will not be affected by the levy on transfer pricing, which constitute the most significant part of the proposed taxes domestic profits from foreign companies.

BAT Industries recovered 6 to 964p, with investors relieved that President Clinton did not include higher US tobacco taxes in his State of the Union address.

Analysts said that UK building shares with transatlantic interests had largely anticipated US President Clinton's tax plans, although Wolseley, the sector's most US exposed company, fell 6p to 550 on the back of worries about the US recovery.

Turnover of 1.5m shares masked a 4.27m overnight agency cross trade in Taylor Woodrow, one of the leading UK housebuilders, which closed up 2p at 80 in line with a generally firm market.

George Wimpey closed up 9p at 139 as the market responded well to its attempt to avoid the mistakes of the 1980s by reorganising the way it buys building plots.

Mining group RTZ slipped 5 to 646p in the registered stock after announcing that it is to enter the coal business through a $470 (£330.9m) purchase of Nerco of the US.

The oil majors held up following announcement of the new US energy tax. BP added 1¼ at 262¼p and Shell Transport 4½ at 582p.

Mr John Toalster of Strauss Turnbull said that though there was no short-term impact there was "long-term cause for concern and, in an industry which is suffering very badly, you don't need an extra negative against you".

Merchant bank Kleinwort Benson rose 17 to 626p after it announced 1992 profits well above market forecasts at £46.3m against £27.9m last time. Analysts of the financial sector had expected a figure of around £35m but the bank slashed its net provisions to £7m from £39m in 1991.

Enthusiasm over the improvement spilled over into the rest of the sector. Schroders rose 65 to 1573p, S.G. Warburg 9 to 626p and Hambros 8 to 300p.

Specialised medical products group Amersham International lifted 21 to 716p following a well-received presentation to about 35 institutions by Hoare Govett.

Presentations to City analysts by Kwik Save were said to be unimpressive and the shares retreated 2 to 800p. J Sainsbury received a boost from BZW, the shares 5 ahead at 516p.

Associated British Food advanced strongly as Carr Kitcat turned buyer. Some in the market believe the group may benefit from any restructuring in the bakery market. The shares added 10 to 474p. Carr's also liked Great Universal Stores following a visit to the mail order business. Analyst Mr John Chataway said: "We think our forecast of a 10 per cent rise in profits in mail order will now definitely be met." The shares put on 23 to 1608p.

Advertising group Gold Greenlees Trott fell 12 to 288p after announcing a one-for-three cash call. The company is issuing 6.49m shares at 235p a share to raise £14.7m.

Shares in security group **Chubb** firmed 4 to 277p as the company held presentations for several city institutions. A reported recommendation from UBS Phillips & Drew was said to have boosted BTR where the the shares gained 3 to 552p with some 3m traded in the equities and the equivalent of 2.7m in traded options. Danka Business were wanted and they closed 18 up at 573p.

The rally in the US dollar helped British Airways gain 7 to 287p, while the market continued to appreciate plans by BAA for a fifth terminal that were announced on Wednesday. Shares in the UK airports operator put on 11 at 781p. Mersey Docks continued to bask in the glow of good results adding another 9 at 318p.

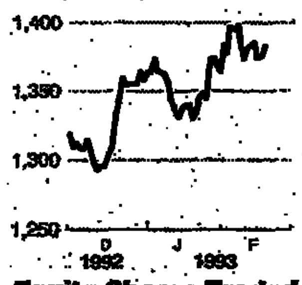
Shares in engineering group Wheway moved swiftly ahead adding 1¼ to 9p, after McLeod Russell, an investment holding company, launched a hostile £14.3m bid. The offer values Wheway stock at 10.2p.

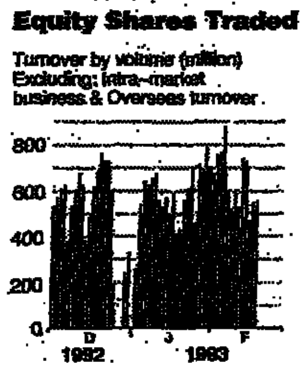
A shortage of stock in GKN saw the shares harden 7 to 476p. Motor distributors were in demand and Thomas Cowie gained 5 to 200p, while Pendragon jumped 8 to 263p. Aerospace and engineering group Smiths Industries continued to languish on fears that a big customer may cancel or defer aircraft orders. The shares eased another 2 to 347p.

In textiles Harstone, the hosiery and leather goods distributor, closed up 7p at 251 as a volatile trade in the company continued. Shares in Dawson International, one of Britain's biggest clothing manufacturers, were held at 226 by reports from analysts touring the company's US operations.

**MARKET REPORTERS:**
**Christopher Price, Joel Kibazo, Peter John, Catherine Milton.**

■ Other market statistics, Page 19




## NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (155).
BRITISH FUNDS (22) OTHER FIXED INTEREST (3) AMERICANS (1) US West, BANKS (3) Bk Scotland 9¼pc Pf., Do 9¾pc Pf., Deutsche. BREWERS (1) Wetherspoon, BLDG MATLS (2) BPB, Kalon, BUSINESS SERVS (5) Capita, Chubb, Hutch. Whampoa, Inchcape, Sherwood, CHEMS (9) Akzo, BASF, BTR Nylex, Bayer, Evode, Do 7p Pf., Hoechst, Laporte, Yule Catto, CONTG & CONSTRCN (1) Boot (H), ELECTRICALS (2) ASEA B, Critchley, ELECTRICITY (2) Natl Power, PowerGen, ELECTRONICS (9) Bowthorpe, Ferranti, Forward, Gresham, Hewlett-Packard, Kode, Peek, Siemens, Unitech, HEALTH & HSEHOLD (2) Amersham, Tepnel Diagnostics, HOTELS & LEIS (5) Baldwin, Granada, Do 7½pc Pf., Stanley, Vardon, INSCE COMPOSITE (1) Allianz, INSCE LIFE (1) Utd Friendly, INV TRUSTS (32) Abtrust New Dawn, Do Wts., Baring Chrysalis, China & Eastern, Flmg. Continental Flmg. Fledgeling, GT Chile Fd. Units, Gartmore Euro Wts., General Oriental, Genesis Chile Ptg., Govett Oriental, Hong Kong, Do Wts., JF Philippine, Jakarta Fund, Jos Inc., Jupiter European, Murray Intl., Do B, Murray Smllr Mkts., Do B, Nth. American Gas, Pacific Assets, Do Wts., Paribas French, Scott American, Scott. Asian, Scott Eastern, Singapore Fund, TR European Gwth., Temple Bar, Tor Inv., MEDIA (6) Harrington & Kilbride, LWT 5.90625p Pf., Metal Bulletin, News Corp., Sterling Pubis., Wainoughs, MERCHANT BANKS (5) Close Bros., Kleinwort Benson, Schroders, Do N/V, Warburg (SG), MTL & MTL FORMING (1) Triplex Lloyd, MISC (3) Dmina Heel, LGW, Ricardo, MOTORS (4) Bletchley, Cowie (T), GKN, Pendragon, OIL & GAS (2) Pittencrieff, Ramco, OTHER FINCL (4) Bancaire Cie, Daiwa Secs., Natl Home Lns 7½pc Pf., Strategem, OTHER INDLS (3) BH Prop., Hewitt, Pacific Dunlop, PACKG, PAPER & PRINTG (6) API, Bowater, Capital Inds., Carnaud Metalbox, Jarvis Porter, Kleartold, PROP (5) Dillon, Frogmore Ests., Mucklow (A & J), Sinclair Goldsmith, Trafford Park, STORES (3) Courts, Fine Art Devlpts., Tie Rack, TEXTS (3) Albion, Courtaulds, Haggas (J), TRANSPORT (3) Forth Ports, Mersey Docks, Powell Duffryn, WATER (2) Anglian, Southern, MINES (4) Anglogasta, Mount Burgess, Sons Gwalia, Vizcaya.
NEW LOWS (4).
CONTG & CONSTRCN (1) Lon. & Clydeside, HEALTH & HSEHOLD (1) Specialeyes, OIL & GAS (1) Oceonics, MINES (1) OFS

## FINANCIAL TIMES EQUITY INDICES

| | Feb 18 | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Year ago | High | Low |
|---|---|---|---|---|---|---|---|---|
| Ordinary share | 2197.2 | 2175.6 | 2171.3 | 2187.8 | 2187.6 | 1989.4 | 2226.1 | 1670.0 |
| Ord. div. yield | 4.39 | 4.36 | 4.37 | 4.33 | 4.33 | 4.61 | 5.34 | 4.23 |
| Earning yld % full | 5.91 | 5.94 | 5.94 | 5.94 | 5.94 | 6.65 | - | - |
| P/E ratio net | 21.57 | 21.50 | 21.48 | 21.44 | 21.45 | 18.82 | 22.01 | 15.79 |
| P/E ratio nil | 19.81 | 19.73 | 19.71 | 19.79 | 19.80 | 17.73 | - | - |
| Gold Mines | 93.5 | 96.2 | 91.9 | 91.2 | 94.3 | 138.8 | 160.6 | 80.0 |

*for 1992/93. Ordinary share Index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2180.3 | 2189.5 | 2188.9 | 2194.0 | 2197.5 | 2205.6 | 2204.6 | 2203.7 | 2197.3 | 2207.3 | 2180.3 |

| Volume | Feb 18 | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 29,425 | 27,669 | 30,227 | 31,097 | 38,504 | 32,671 |
| Equity Turnover(£m)† | - | 1203.5 | 1231.3 | 884.9 | 1488.7 | 1305.5 |
| Equity Bargains† | - | 30,653 | 33,594 | 46,752 | 42,215 | 32,702 |
| Shares traded (mil)† | - | 559.5 | 549.5 | 472.8 | 730.2 | 580.8 |

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

## EQUITY FUTURES AND OPTIONS TRADING

BETTER than expected average earnings figures, together with the favourable response by the US markets to the State of the Union speech by President Clinton, brought good trading activity in the derivatives area, writes Joel Kibazo.

The March contract on the FT-SE 100 opened at 2,825, up 10 from its previous close, but suffered a slight dip to 2,823 in the first 10 minutes of business. It later rose on buying from independent traders and securities houses.

The release of favourable average earnings figures boosted the contract further, maintaining momentum into the afternoon, and it reached the day's high of 2,854 just before Wall Street opened.

March subsequently came off the top, but it maintained the high levels due to early firmness on Wall Street. Profit-taking later in the session caused the contract to gently drift back and it ended at 2,835, up 20 from Wednesday's close but at a 7-point discount to the underlying cash market. Turnover was 10,031 lots.

The traded options market was active and turnover expanded to 34,174 contracts. The FT-SE 100 option traded 14,033 lots while the Euro FT-SE option had 1,920 contracts dealt.

Among the stock options, Amstrad was the busiest with 7,300 lots transacted and most of the day's total done in the June 25 calls. It was followed by BTR with 2,726 contracts and Glaxo with 1,489.

## FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2837.7 +23.7 | 3040.3 +22.9 | 1385.59 +11.09 |

| | Feb 18 | Day's change % | Feb 17 | Feb 16 | Feb 15 | Year ago | Earnings yield % | Dividend yield % | P/E Ratio | Xd adj ytd |
|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2837.7 | +0.8 | 2814.0 | 2812.2 | 2845.9 | 2543.4 | 6.48 | 4.25 | 19.80 | 5.84 |
| FT-SE Mid 250 | 3040.3 | +0.8 | 3017.4 | 3009.5 | 3022.5 | 2495.8 | 6.81 | 4.36 | 18.58 | 7.00 |
| FT-SE-A 350 | 1402.9 | +0.8 | 1391.5 | 1390.0 | 1404.3 | 1234.6 | 6.55 | 4.25 | 19.52 | 2.96 |
| FT-SE SmallCap | 1521.62 | +0.5 | 1514.43 | 1517.67 | 1520.73 | – | 5.43 | 4.22 | 25.65 | 4.16 |
| FT-SE SmallCap ex Inv Trusts | 1524.29 | +0.4 | 1517.98 | 1519.87 | 1521.83 | – | 6.06 | 4.48 | 23.59 | 3.99 |
| FT-A ALL-SHARE | 1385.59 | +0.8 | 1374.50 | 1373.41 | 1386.96 | 1220.01 | 6.49 | 4.24 | 19.80 | 2.97 |
| 1 CAPITAL GOODS(211) | 926.07 | +0.7 | 919.48 | 919.90 | 920.02 | 791.99 | 6.10 | 4.65 | 21.46 | 1.51 |
| 2 Building Materials(27) | 976.89 | +1.4 | 963.24 | 960.11 | 960.23 | 973.11 | 5.22 | 5.52 | 27.27 | 0.77 |
| 3 Contracting, Construction(29) | 821.21 | +1.6 | 808.11 | 809.62 | 811.32 | 883.85 | 3.04 | 5.91 | 80.00† | 1.23 |
| 4 Electricals(14) | 2622.77 | −0.2 | 2629.02 | 2635.58 | 2660.49 | 2458.77 | 6.13 | 5.55 | 21.40 | 3.25 |
| 5 Electronics(35) | 2493.54 | +0.6 | 2483.05 | 2480.38 | 2469.82 | 1801.16 | 6.33 | 3.42 | 20.00 | 14.53 |
| 6 Engineering-Aerospace(7) | 338.85 | +0.3 | 337.67 | 346.05 | 345.56 | 324.10 | 10.44 | 6.92 | 12.20 | 0.00 |
| 7 Engineering-General(52) | 550.34 | +0.7 | 546.34 | 544.88 | 546.03 | 488.86 | 7.35 | 4.33 | 17.41 | 1.29 |
| 8 Metals & Metal Forming(11) | 360.00 | +0.7 | 357.41 | 358.68 | 361.45 | 325.76 | 4.85 | 3.67 | 30.31 | 0.29 |
| 9 Motors(18) | 404.85 | +1.1 | 400.28 | 398.94 | 394.68 | 314.32 | 4.89 | 5.79 | 30.08 | 0.00 |
| 10 Other Industrials(18) | 2002.97 | +0.3 | 1997.26 | 1999.22 | 2003.07 | 1606.45 | 6.21 | 4.24 | 19.56 | 0.39 |
| 21 CONSUMER GROUP(232) | 1696.44 | +1.0 | 1679.99 | 1679.37 | 1698.29 | 1673.31 | 6.95 | 3.49 | 17.89 | 3.39 |
| 22 Brewers and Distillers(28) | 1970.73 | +0.6 | 1958.30 | 1941.68 | 1931.38 | 2107.33 | 8.55 | 3.85 | 14.26 | 10.15 |
| 25 Food Manufacturing(22) | 1366.32 | +0.6 | 1357.53 | 1356.22 | 1371.28 | 1275.89 | 7.73 | 3.82 | 16.13 | 1.54 |
| 26 Food Retailing(18) | 3165.71 | +0.6 | 3146.77 | 3152.62 | 3198.54 | 2544.73 | 8.04 | 3.31 | 16.19 | 2.30 |
| 27 Health & Household(29) | 3848.90 | +1.9 | 3777.65 | 3816.57 | 3950.93 | 4423.23 | 5.99 | 2.94 | 19.35 | 0.54 |
| 29 Hotels and Leisure(20) | 1329.00 | +0.4 | 1323.06 | 1317.64 | 1316.32 | 1302.32 | 6.39 | 5.18 | 20.54 | 7.06 |
| 30 Media(33) | 1848.00 | +0.2 | 1843.50 | 1851.58 | 1858.76 | 1533.58 | 5.63 | 2.92 | 22.13 | 1.42 |
| 31 Packaging and Paper(23) | 833.22 | +0.9 | 826.00 | 825.79 | 827.64 | 747.80 | 6.42 | 3.92 | 19.22 | 0.57 |
| 34 Stores(39) | 1122.31 | +1.3 | 1108.19 | 1097.89 | 1102.10 | 1068.95 | 6.37 | 3.24 | 20.85 | 2.93 |
| 35 Textiles(20) | 780.08 | +0.7 | 775.01 | 770.72 | 775.36 | 630.39 | 6.31 | 4.07 | 20.06 | 0.49 |
| 40 OTHER GROUPS(142) | 1481.76 | +0.6 | 1472.78 | 1472.61 | 1483.59 | 1233.40 | 8.19 | 4.46 | 15.06 | 3.36 |
| 41 Business Services(27) | 1639.87 | +0.6 | 1629.75 | 1618.87 | 1631.33 | 1408.45 | 5.47 | 3.14 | 22.55 | 0.33 |
| 42 Chemicals(23) | 1486.32 | +0.6 | 1476.96 | 1474.36 | 1497.81 | 1514.96 | 6.11 | 4.92 | 20.60 | 0.45 |
| 43 Conglomerates(11) | 1465.71 | +0.8 | 1454.12 | 1476.24 | 1489.81 | 1326.26 | 7.21 | 5.45 | 15.69 | 2.79 |
| 44 Transport(16) | 2898.93 | +1.2 | 2865.19 | 2841.80 | 2866.49 | 2422.08 | 7.37 | 4.10 | 16.40 | 3.49 |
| 45 Electricity(16) | 1627.72 | −0.2 | 1630.41 | 1596.99 | 1603.23 | 1206.17 | 13.31 | 4.67 | 9.65 | 16.54 |
| 46 Telephone Networks(4) | 1688.71 | +0.8 | 1674.83 | 1683.53 | 1694.76 | 1411.54 | 7.79 | 4.05 | 16.73 | 1.63 |
| 47 Water(13) | 3426.54 | +0.5 | 3411.06 | 3389.86 | 3412.93 | 2453.60 | 13.19 | 5.17 | 8.42 | 11.80 |
| 48 Miscellaneous(32) | 2458.67 | +0.5 | 2447.37 | 2471.34 | 2477.93 | 1850.45 | 5.94 | 4.18 | 21.23 | 0.46 |
| 49 INDUSTRIAL GROUP(585) | 1441.32 | +0.8 | 1429.83 | 1429.64 | 1440.94 | 1311.16 | 7.22 | 4.04 | 17.30 | 2.92 |
| 51 Oil & Gas(18) | 2328.28 | +0.4 | 2318.68 | 2313.87 | 2343.97 | 1998.01 | 6.14 | 5.57 | 21.44 | 5.06 |
| 59 "500" SHARE INDEX(603) | 1522.95 | +0.8 | 1511.44 | 1510.93 | 1523.68 | 1377.19 | 7.11 | 4.20 | 17.65 | 3.10 |
| 61 FINANCIAL GROUP(96) | 949.33 | +1.0 | 939.89 | 936.08 | 952.64 | 717.64 | 3.77 | 4.80 | 48.48 | 2.45 |
| 62 Banks(9) | 1311.59 | +1.0 | 1298.98 | 1291.96 | 1324.65 | 875.52 | 6.24 | 4.54 | 22.93 | 5.72 |
| 65 Insurance (Life)(6) | 1888.93 | +1.3 | 1863.77 | 1865.11 | 1861.83 | 1415.30 | 2.68 | 4.81 | 65.63 | 0.00 |
| 66 Insurance (Composite)(7) | 632.77 | +0.3 | 630.57 | 629.03 | 641.80 | 481.00 | ‡ | 4.87 | † | 0.00 |
| 67 Insurance Brokers(10) | 797.31 | +1.5 | 785.51 | 776.89 | 793.07 | 976.39 | 7.57 | 6.70 | 17.74 | 0.89 |
| 68 Merchant Banks(6) | 587.63 | +2.9 | 571.33 | 568.83 | 564.78 | 479.77 | 7.27 | 3.89 | 18.09 | 0.00 |
| 69 Property(28) | 710.93 | +1.0 | 703.87 | 700.47 | 707.09 | 761.10 | 7.90 | 5.96 | 16.39 | 1.04 |
| 70 Other Financial(23) | 333.48 | +0.5 | 331.97 | 332.55 | 333.75 | 246.08 | 6.59 | 5.08 | 19.91 | 0.19 |
| 71 Investment Trusts(107) | 1444.89 | +1.1 | 1429.30 | 1432.35 | 1449.77 | 1172.81 | 2.30 | 2.92 | 43.41 | 4.43 |
| 99 FT-A ALL-SHARE(799) | 1385.59 | +0.8 | 1374.50 | 1373.41 | 1386.96 | 1220.01 | 6.49 | 4.24 | 19.80 | 2.97 |

### Hourly movements

| | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | High/day | Low/day |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 2823.8 | 2834.8 | 2830.8 | 2836.8 | 2841.2 | 2849.7 | 2849.6 | 2848.0 | 2838.6 | 2852.1 | 2823.8 |
| FT-SE Mid 250 | 3020.8 | 3028.0 | 3029.1 | 3034.0 | 3036.1 | 3038.9 | 3040.0 | 3043.0 | 3040.4 | 3043.2 | 3020.8 |
| FT-SE-A 350 | 1395.6 | 1400.5 | 1399.1 | 1401.9 | 1403.8 | 1407.4 | 1407.5 | 1407.2 | 1403.3 | 1408.5 | 1395.6 |

Gross dividend yield (ACT at 25%) FT-SE 100:4.25%

### FT-SE Actuaries 350 Industry Baskets

| Hourly | Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.10 | Close | Previous close | change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Constrcn | 1591.4 | 1596.8 | 1602.5 | 1609.3 | 1613.9 | 1615.6 | 1615.8 | 1615.8 | 1616.1 | 1616.1 | 1589.5 | +26.6 |
| Health & H | 1141.9 | 1157.0 | 1158.4 | 1160.1 | 1164.8 | 1168.7 | 1173.0 | 1171.8 | *1162.5 | 1159.2 | 1137.0 | +22.2 |
| Water | 1410.9 | 1411.9 | 1409.0 | 1410.0 | 1413.1 | 1417.2 | 1417.9 | 1418.1 | 1416.6 | 1416.9 | 1410.4 | +6.5 |
| Banks | 1592.1 | 1595.1 | 1583.8 | 1591.8 | 1591.9 | 1597.5 | 1597.7 | 1586.6 | 1590.3 | 1593.6 | 1578.1 | +15.5 |

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address.
The increase in the size of the FT-Actuaries All-Share Index from January 4 1993 means that the FT 500 now contains more stocks. It has been renamed the FT "500". † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.
The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. 
The FT-SE Actuaries Share Indices are audited by The WM Company.

## LONDON SHARE SERVICE

### BRITISH FUNDS

| Notes | Price £ | + or − | 1992/93 high | 1992/93 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| "Shorts" (Lives up to Five Years) | | | | | | |
| Treas 10pc 1993‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 9.93 | 5.91 |
| 12¼pc 1993‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 12.17 | 5.80 |
| Funding 6pc 1993‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 5.68 | 5.84 |
| Treas 13¾pc 1993‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 12.96 | 5.54 |
| 8¼pc 1994 | [illegible] | [illegible] | [illegible] | [illegible] | 8.27 | 5.47 |
| 14½pc 1994‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 13.32 | 5.62 |
| Exch 13½pc 1994 | [illegible] | [illegible] | [illegible] | [illegible] | 12.38 | [illegible] |
| Treas 10pc Ln. 1994‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 9.48 | [illegible] |
| Exch 12½pc 1994 | [illegible] | [illegible] | [illegible] | [illegible] | 11.39 | [illegible] |
| Treas 9pc 1994‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 8.54 | [illegible] |
| 12pc 1995 | 111 | [illegible] | [illegible] | [illegible] | 10.81 | [illegible] |
| Exch 3pc Gas 90-95 | [illegible] | [illegible] | [illegible] | [illegible] | 3.16 | [illegible] |
| 10¼pc 1995 | [illegible] | [illegible] | [illegible] | [illegible] | 9.37 | [illegible] |
| Treas 12¾pc 1995‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 10.94 | [illegible] |
| 14pc 1996 | [illegible] | [illegible] | [illegible] | [illegible] | 11.66 | [illegible] |
| 15¼pc 1996‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 12.28 | [illegible] |
| Exch 13¼pc 1996‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 11.38 | [illegible] |
| Conversion 10pc 1996 | 111 | [illegible] | [illegible] | [illegible] | 9.81 | [illegible] |
| Treas 13¼pc 1997‡‡ | 122 | [illegible] | [illegible] | [illegible] | 10.86 | [illegible] |
| Exch 10½pc 1997 | [illegible] | [illegible] | [illegible] | [illegible] | 9.29 | [illegible] |
| Treas 8¾pc 1997‡‡ | [illegible] | [illegible] | [illegible] | 94 | 8.13 | [illegible] |
| Exch 15pc 1997 | [illegible] | [illegible] | [illegible] | [illegible] | 11.41 | [illegible] |
| 9¾pc 1998 | [illegible] | [illegible] | [illegible] | [illegible] | 8.74 | [illegible] |
| Five to Fifteen Years | | | | | | |
| Treas 7¼pc 1998 | [illegible] | [illegible] | [illegible] | [illegible] | 7.14 | [illegible] |
| Treas 6¾pc 1995-98‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 6.73 | [illegible] |
| 15½pc '98‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 11.30 | [illegible] |
| Exch 12pc 1998 | [illegible] | [illegible] | [illegible] | [illegible] | 9.89 | [illegible] |
| Treas 9½pc 1999‡‡ | [illegible] | [illegible] | [illegible] | [illegible] | 8.56 | [illegible] |
| Exch 12¼pc 1999 | [illegible] | [illegible] | [illegible] | [illegible] | 9.95 | [illegible] |
| Treas 10½pc 1999 | [illegible] | [illegible] | [illegible] | [illegible] | 8.86 | [illegible] |
| Conversion 10¼pc 1999 | [illegible] | [illegible] | [illegible] | [illegible] | 8.98 | [illegible] |
| 9pc 2000‡‡ | [illegible] | [illegible] | 118 | [illegible] | 8.24 | [illegible] |
| Treas 13pc 2000 | [illegible] | [illegible] | [illegible] | [illegible] | 10.07 | [illegible] |
| 10pc 2001 | [illegible] | [illegible] | [illegible] | [illegible] | 8.81 | [illegible] |
| 14pc '98-1 | [illegible] | [illegible] | [illegible] | [illegible] | 10.91 | [illegible] |
| 9¾pc 2002 | [illegible] | [illegible] | [illegible] | [illegible] | 8.69 | [illegible] |

### BRITISH FUNDS - Cont.

| Notes | Price £ | + or − | 1992/93 high | 1992/93 low | Yield Int. | Yield Red. |
|---|---|---|---|---|---|---|
| 8pc 2003 (£50 pd) | [illegible] | [illegible] | [illegible] | [illegible] | 7.92 | 7.87 |
| 10pc 2003 | [illegible] | [illegible] | [illegible] | [illegible] | 8.60 | 8.06 |
| Treas 11½pc 2001-4 | [illegible] | [illegible] | [illegible] | [illegible] | 8.54 | 8.01 |
| Funding 3½pc '99-4 | [illegible] | [illegible] | [illegible] | [illegible] | 4.84 | 7.08 |
| Conversion 9½pc 2004 | [illegible] | [illegible] | [illegible] | [illegible] | 8.66 | 8.20 |
| 9½pc 2005 | [illegible] | [illegible] | [illegible] | [illegible] | 8.68 | 8.23 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

### BRITISH FUNDS - Cont.

| Index-Linked | Notes | Price £ | + or − | 1992/93 high | 1992/93 low | Yield (1) | Yield (2) |
|---|---|---|---|---|---|---|---|
| Treas. 2pc '94 | (102.9) | [illegible] | [illegible] | [illegible] | [illegible] | – | 0.70 |
| 2pc '96 | (67.9) | [illegible] | [illegible] | [illegible] | [illegible] | 1.37 | 2.14 |
| 4⅝pc '98 | (135.6) | [illegible] | [illegible] | [illegible] | [illegible] | 2.10 | 2.70 |
| 2½pc '01 | (78.3) | [illegible] | [illegible] | [illegible] | [illegible] | 2.88 | 3.04 |
| 2½pc '03 | (78.8) | [illegible] | [illegible] | [illegible] | 135 | 2.85 | 3.18 |
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1992: 139.3 and for January 1993: 137.9.

### OTHER FIXED INTEREST

[illegible]

Continued on next page

LONDON SHARE SERVICE

## AMERICANS

| Notes | Price £ | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| Abbott Labs | 17⅜xd | -½ | 21¼ | 14⅝ | 14,907 | 2.6 |
| Allegheny & W. | 519p | — | 528p | 220p | 208.7 | 4.0 |
| Amdahl | 538p | -18 | 1159p | 438p | 604.2 | 1.3 |
| Amer Cyanamid | 35 | -2¼ | 38⅝ | 29⅝ | 3,158 | 3.2 |
| Amer Express | 16¾xd | +½ | 17¼ | 10⅞ | 8,006 | 4.1 |
| Amer T & T | 38¾xd | +⅛ | 38⅞ | 20⅛ | 48,374 | 2.5 |
| Ameritech | 51⅝ | -⅞ | 52¼ | 32½ | 22,483 | 4.9 |
| BankAmerica | 34½xd | -⅜ | 37¼ | 19⅝ | 11,887 | 2.8 |
| Bankers NY | 46⅝xd | +½ | 48⅝ | 29⅞ | 3,742 | 4.8 |
| Bell Atlantic | 37⅝ | -⅛ | 38¼ | 23⅛ | 16,396 | 4.7 |
| BellSouth | 37⅝ | -⅞ | 38¼ | 25 | 18,449 | 5.1 |
| Bethlehem Steel | 12¾xd | +⅞ | 13¾ | 5⅜ | 1,163 | - |
| Bowater | 1457pxd | -62 | 1682p | 905p | 528.0 | 5.7 |
| CPC | 31⅞xd | -⅛ | 34 | 22⅞ | 4,627 | 2.8 |
| Cadiz Land Inc | 115p | — | 342p | 108p | - | - |
| California Engy | 1420p | — | 1420p | 691p | 298.5 | - |
| Chase Manhattan | 20⅝xd | -⅛ | 22¾ | 9⅛ | 3,692 | 4.1 |
| Chrysler | 28⅞xd | +1⅜ | 28⅝ | 8⅛ | 7,742 | 1.8 |
| Citicorp | 16¾xd | -¼ | 18½ | 5⅜ | 6,123 | - |
| Colgate-Palm | 39⅝xd | -⅛ | 43⅛ | 25¾ | 6,328 | 2.2 |
| Cont'l Bank | 1570p | -99 | 1691p | 498p | 1,588 | 2.6 |
| Dana | 31⅝xd | +⅛ | 34⅞ | 14⅞ | 1,450 | 3.5 |
| Data General | 815p | +3 | 1004p | 384p | 224.9 | - |
| Decora Inds | 146p | — | 146p | 66p | - | - |
| Dun & Brad | 39 | -1⅛ | 40⅝ | 27⅝ | 6,948 | 4.0 |
| Eaton | 65½ | -2⅛ | 68⅞ | 32½ | 1,919 | 2.7 |
| Ecolin | 17⅝xd | +⅝ | 18⅝ | 7⅛ | 1,016 | 2.7 |
| FPL | 26⅛xd | +⅛ | 27⅛ | 17⅞ | 4,671 | 6.4 |
| Ford Motor | 32⅞ | — | 36⅛ | 15 | 15,924 | 2.1 |
| Gen Elect | 57⅞xd | +⅛ | 61¼ | 36¼ | 49,063 | 3.0 |
| General Host | 682p | — | 723p | 360p | - | 3.6 |
| Gillette | 38xd | +⅞ | 40 | 23⅛ | 8,350 | 1.3 |
| Hasbro | 26⅞ | — | 23½ | 12⅞ | 1,815 | 0.8 |
| Honeywell | 23¼ | +¼ | 24⅞ | 16 | 3,196 | 2.6 |
| Houston Inds | 32⅞ | -⅝ | 33⅞ | 22 | 4,225 | 6.3 |

## BUILDING MATERIALS - Cont.

| Notes | Price | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|
| Tilbury | 174 | — | 174 | 85 | 19.8 | 2.7 | 15 |
| Travis Perkins | 179 | — | 228 | 105 | 182.2 | 6.0 | 25 |
| Tudor | 28 | — | 38 | 26 | 2.84 | ‡ | |
| Unigroup | 18 | +½ | 24 | 8½ | 5.28 | - | |
| Waterhouse | 33 | — | 43 | 23 | 0.83 | ‡ | |
| Wickes | 95 | +1 | *104 | 53 | 208.1 | - | |
| Wolseley | 530 | -8 | 595 | 287 | 1,303 | 3.0 | 21 |

## BUSINESS SERVICES

| Notes | Price | + or - | 1992/93 high | low | Mkt Cap£m | Yld Gr's |
|---|---|---|---|---|---|---|
| ADT $ | 528 | +2 | 543 | 343 | 614.4 | - |
| Adam & Harvey | 228 | — | 248 | 193 | 9.76 | 6.4 |
| Air London | 98 | -2 | 127 | 53 | 7.63 | 5.4 |
| African Lakes | 47 | — | 63 | 34 | 3.23 | 5.7 |
| Auto'ted Sec | 138 | +1 | 162 | 81 | 154.4 | 4.8 |
| BET | 97 | -4 | *208 | 80 | 906.2 | 8.9 |
| BNB Res | 98 | — | 100 | 41 | 16.6 | 9.5 |
| BPP | 305 | — | *318 | 208 | 77.8 | 3.0 |
| Barbour Index | 279 | +1 | 285 | 178 | 44.8 | 3.6 |
| Boustead | 18 | +1 | 30½ | 13 | 15.3 | 5.2 |
| Bridgend | 16½ | — | 33 | 11 | 4.55 | ‡ |
| Brit Data Mangt | 223 | +2 | 223 | 111 | 52.0 | 2.4 |
| Brooks Service | 60 | — | 101 | 58 | 7.21 | ‡ |
| CRT | 92 | — | 142 | 72 | 48.4 | 3.5 |
| Capita | 469 | +9 | 479 | 262 | 71.3 | 1.5 |
| Caskat | 33½ | — | 36 | 19 | 28.8 | 2.0 |
| Chiltern Capital AS | 32½ | — | 270 | 25½ | 48.6 | - |
| Christie Group | 28 | — | 39 | 22 | 6.56 | - |
| Chubb Security | 277 | +4 | 282 | 180 | 773.7 | 1.3 |
| Comac | 33 | +1 | 43 | 18 | 2.12 | - |
| Corp Servs | 11¾ | — | 31 | 5½ | 3.40 | - |
| Dart | 74 | — | *123 | 48 | 11.3 | 5.9 |

## CANADIANS

## BANKS

## BREWERS & DISTILLERS

## BUILDING MATERIALS

## CHEMICALS

## CONGLOMERATES

## CONTRACTING & CONSTRUCTION

## ELECTRICALS

## ELECTRICITY

## ELECTRONICS

## ENGINEERING-AEROSPACE

## ENGINEERING-GENERAL

## ENGINEERING-GENERAL - Cont.

## FOOD MANUFACTURING

## FOOD RETAILING

## HEALTH & HOUSEHOLD

## HOTELS & LEISURE

## HOTELS & LEISURE - Cont.

## INSURANCE BROKERS

## INSURANCE COMPOSITE

## INSURANCE LIFE

## INVESTMENT TRUSTS

Authorised by the Inland Revenue

## INVESTMENT TRUSTS - Cont.

# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

## MEDIA

## MERCHANT BANKS

## METALS & METAL FORMING

## MISCELLANEOUS

## MOTORS

## OIL & GAS

## OIL & GAS - Cont.

## OTHER FINANCIAL

## OTHER INDUSTRIALS

## PACKAGING, PAPER & PRINTING

## PACKAGING, PAPER & PRINTING - Cont.

## PROPERTY

## STORES

## TELEPHONE NETWORKS

## TEXTILES

## TRANSPORT

## WATER

## SOUTH AFRICANS

## PLANTATIONS

## MINES

## MINES - Cont.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Glencor Expl ‡‡ | 7 | — | 16 | 6 | 1.29 | — |
| Greenwich Res □ | $9\frac{3}{4}$ | — | 11 | 2 | 7.62 | — |
| Harmony Gold C$ | $24\frac{3}{4}$ | — | [illegible] | $£3\frac{1}{2}$ | 409.7 | 2.4 |
| Herald West ‡‡□ | 43 | -2 | 53 | 30 | 21.6 | — |
| Kalls Minis ‡‡ | 6 | — | 42 | 6 | 0.14 | — |
| Konaware □ | 7 | — | 8 | $2\frac{3}{4}$ | 0.72 | — |
| Mallage Res. | 18 | -1 | 48 | 8 | 1.99 | — |
| Novae Res | 34 | — | 34 | 16 | 4.58 | — |
| Spc Ln Notes | 28 | -6 | 34 | 25 | 8.89 | — |
| Oryx Gold | $58\frac{1}{2}$ | — | 183 | $45\frac{3}{4}$ | — | — |
| Plateau | 3 | — | 13 | 3 | 1.37 | — |
| RTZ □ | 646 | -6 | 688 | 469 | 6,479 | 4.0 |
| Vizcaya □ | $5\frac{1}{4}$ | +1 | $5\frac{3}{4}$ | 1 | 2.81 | — |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAV) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- Φ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1225 a year for each security shown, subject to the Editor's discretion

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# FT MANAGED FUNDS SERVICE

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## AUTHORISED UNIT TRUSTS

## Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Sharp (Albert E.) & Co (1000)F** | | | | | | |
| Admin. 5 Rayleigh Rd Hutton, Brentwood Essex | | | | | | |
| Enquiries. 0277 227300 Dealing. 0277 261010 | | | | | | |
| European | 5 | 108.90 | 109.50 | 115.50 | +1.40 | 1.40 |
| Intl Bond & Conv | 5 | 124.70 | 125.00 | 131.60 | +0.10 | 5.49 |
| Pooled Pension | 7 | £150.5 | 150.5 | 165.3 | ... | - |
| Smaller Cos | 5 | 60.51 | 62.42 | 65.70 | +0.24 | 1.99 |
| UK General | 5 | 114.80 | 116.70 | 122.80 | +0.40 | 2.79 |
| **Sheppards Unit Trust Mngmt Ltd (1200)F** | | | | | | |
| 1 White Hart Yard, London Bridge SE1 071 407 5966 | | | | | | |
| Income | 5 | 383.68 | 383.68 | 408.17 | -1.46 | 5.07 |
| Growth Inc | 5 | 58.27 | 58.27 | 61.99 | +0.76 | 3.93 |
| Brit Leaders | 5 | 313.64 | 313.64 | 333.66 | +2.18 | 3.07 |
| Intl Leaders | 5 | 185.43 | 185.43 | 197.26 | +2.90 | 1.67 |
| [illegible] | 3½ | 52.73 | 54.03 | 56.14 | -0.55 | 3.03 |
| **Singer & Friedlander UT Mgmt Ltd (1000)F** | | | | | | |
| PO Box 224, Beckenham, BR3 4TF 081-663 3003 | | | | | | |
| European Trust | 6 | 52.91 | 52.91 | 56.28 | +0.52 | 1.38 |
| Far Eastern Tst | 6 | 57.26 | 57.26 | 60.91 | -0.23 | 0.82 |
| Smaller Cos | 5 | 140.3 | 144.9 | 154.1 | +1.8 | 2.15 |
| **Smith & Williamson Unit Tst Mgrs (1600)F** | | | | | | |
| 1 Riding House St, London W1A 3AS. 071-637 5377 | | | | | | |
| S & W American | 5 | 268.0 | 268.5 | 284.1 | -12.7 | 0.92 |
| S & W Capital | 5 | 113.9 | 113.9 | 122.1 | -0.10 | 1.89 |
| S & W Cash | 0 | 102.43 | 102.43 | 102.43 | +0.02 | 6.04 |
| S & W European | 5 | 115.1 | 115.2 | 121.8 | +0.82 | 0.90 |
| S & W Far Eastern | 5 | 119.5 | 120.7 | 127.7 | +0.20 | 0.10 |
| S & W Growth | 5 | 121.9 | 123.5 | 130.6 | -0.10 | 1.47 |
| S & W Income | 5 | 108.5 | 109.6 | 116.0 | +0.20 | 5.17 |
| S & W Magnum | 5 | 121.3 | 121.3 | 129.9 | ... | 1.93 |
| S & W Smllr Secs | 5 | 297.4 | 303.4 | 321.0 | +0.08 | 0.59 |
| S & W Thoroughbred | 5 | 139.8 | 139.8 | 149.9 | -0.30 | 1.71 |
| **Societe Generale Touche Remnant (1200)F** | | | | | | |
| Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029 | | | | | | |
| American Gwth | 5¼ | 81.97 | 81.97 | 87.66 | +1.04 | 0 |
| Eur Sp Sits Acc | 5¼ | 45.42 | 45.42 | 48.27 | +0.86 | 0 |
| Eur Sp Sits Inc | 5¼ | 42.90 | [illegible] | [illegible] | [illegible] | 0 |

Whittingdale Unit Tst Mgmt Ltd

Woolwich Unit Trust Managers Ltd

# OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

James Capel Fund Managers Ltd

# INSURANCES

Continued on next page

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 925 2128

## Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Life Funds** | | | | |
| Balanced Grth Mngd. | 673.3 | 716.2 | +4.0 | – |
| Adventurous Mngd. | 166.6 | 177.5 | +1.6 | – |
| Cautious Mngd. | 128.9 | 137.2 | +0.5 | – |
| Cash Fd. | 317.7 | 334.8 | .... | – |
| Property Fund | 216.7 | 230.6 | .... | – |
| Equity Fund | 783.9 | 834.0 | +8.6 | – |
| Fxd. Int. Fund | 416.6 | 439.0 | –1.1 | – |
| International | 350.2 | 372.6 | +4.7 | – |
| High Income | 600.6 | 639.0 | +2.5 | – |
| Far East | 470.8 | 500.9 | +4.5 | – |
| North American | 465.5 | 495.3 | +6.0 | – |
| Special Sits. | 553.4 | 588.8 | +3.4 | – |
| Technology | 455.8 | 484.9 | +3.3 | – |
| Extra Inc Fd | 327.0 | 347.9 | +0.9 | – |
| Convertible & Gilt Fd. | 159.7 | 169.9 | +0.8 | – |
| American Income | 189.6 | 201.8 | +0.9 | – |
| Gilt Fund 20 | 447.7 | 476.3 | –0.1 | – |
| European Fund | 126.8 | 134.9 | +1.5 | – |
| Pref & Fixed Int. | 115.4 | 122.8 | +0.3 | – |
| UK Blue Chip | 118.4 | 124.8 | +0.6 | – |
| Recovery Fund | 116.7 | 123.0 | +0.5 | – |
| Equity Income Dist. | 109.2 | 116.2 | +0.6 | 4.88 |
| Managed Dist. | 103.4 | 110.1 | +0.6 | 5.60 |
| High Yield Dist. | 105.9 | 111.6 | +0.3 | 8.30 |
| **Pension Funds** | | | | |
| Balncd Gth Mgd Pens Acc. | 797.0 | 839.0 | +4.6 | – |
| Adventurous Mgd Pens Acc. | 177.2 | 186.6 | +1.9 | – |
| Cautious Mngd Pens Acc. | 149.6 | 157.5 | +0.7 | – |
| Building Soc. Acc. | 366.6 | 385.9 | .... | – |
| Property Pens. Acc. | 295.4 | 311.0 | .... | – |
| Fix. Int. Pens. Acc. | 658.6 | 693.3 | –0.3 | – |
| Equity Pens. Acc. | 1030.5 | 1084.8 | +7.7 | – |
| International Pens Acc. | 327.9 | 345.2 | +4.5 | – |
| High Inc Pens Acc. | 677.1 | 712.8 | +3.8 | – |

## Reliance Mutual

## J Rothschild Assurance PLC

## Prosperity Life Assurance Ltd

## Providence Capital Life Assc. Co Ltd

## Provident Life Assoc Ltd

## Provident Mutual Life Assce. Assn.

## Prudential Assurance Co

## Prudential Corporate Pension Funds

## Prudential Individual Life Funds

## Prudential Individual Pension Funds

## Royal Heritage Life Assurance Ltd

## Royal Life Insurance Ltd

## Royal Liver Assurance

## Save & Prosper Group Ltd

## Scottish Amicable

## Scottish Equitable Life Assce. Soc.

## Scottish Life Investments

## Scottish Mutual Assurance plc

## Scottish Provident Institution

## Scottish Widows' Group

## Skandia Life Assurance Co Ltd

## Standard Life Assurance Company

## Sun Alliance Group

## Sun Life Unit Assurance Ltd

## Swiss Life (UK) PLC

## TSB Life Ltd

## Target Life Assurance Co Ltd

## Teachers' Assurance Company Ltd

## Templeton Life Assurance Limited

## Tunbridge Wells Equitable

## Wesleyan Assurance Society

## Windsor Life Assce Co Ltd

## Woolwich Life Assurance Co Ltd

## Zurich Life Assurance Co Ltd

# OFFSHORE INSURANCES

## CMI Insurance Co Ltd

## Equitable Life (International)

## Eurolife Assurance Group

## Fleming International Ltd

## Hansard International Ltd

## Isle of Man Assurance Ltd

## NEL Britannia International Ltd

## PanEuroLife

## Royal Life Intl. Ltd

## Royal Skandia Life Assurance Ltd

## Sun Alliance International Life

# MANAGEMENT SERVICES

# OFFSHORE AND OVERSEAS

# BERMUDA (SIB RECOGNISED)

## Fidelity Money Funds

## Lloyd George Management

## Newport Investment Management

## Orion Fund Limited

# CANADA (SIB RECOGNISED)

## GBC Asset Management

# GUERNSEY (SIB RECOGNISED)

# GUERNSEY (REGULATED)(**)

# IRELAND (SIB RECOGNISED)

# IRELAND (REGULATED)(**)

# ISLE OF MAN (SIB RECOGNISED)

# ISLE OF MAN (REGULATED)(**)

# FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **John Govett Management (IoM) Ltd** | | | | |
| Dir Emerg Gwr NAV Feb 12 | $15.12 | | | - |
| Paragon Plus Red Feb 1 | £9.85 | | | - |
| Paragon Stlg Red Feb 1 | £11.33 | | | - |
| SE Asian Wrt NAV Feb 11 | $9.75 | | | - |
| Govett Mngd Furs Feb 12 | £13.64 | 14.92 | | - |
| Govett Mngd Furs Feb 12 | $9.64 | 10.55 | | - |
| New Horizons Inc Feb 11 | $14.96 | | | - |
| New Horizons Inc Feb 11 | $7.15 | | | - |
| Dir Growth Bd Feb 12 | $7.26 | | | - |
| **IBI Global Funds Limited** | | | | |
| Intl Stlg Gwth | £21.50 | 22.64 | | - |
| Intl $US Gwth | $18.04 | 19.00 | | - |
| High Income Gilt | £27.59 | 28.60 | | - |
| International Equity | £22.36 | 23.55 | | - |
| International Bond | £24.39 | 25.28 | | - |
| Managed Currency | £28.09 | 28.39 | | - |
| Sterling Currency | £26.80 | 27.08 | | - |
| US$ Currency | $37.88 | 38.27 | | - |
| Irish £ Currency | I£15.83 | 16.00 | | - |
| **R & H Fund Managers Ltd** | | | | |
| LF&A Sterling Fd | £11.18 | 11.66 | | - |
| B F Offshore Inc Fd Ltd | £12.54 | 13.08 | | - |
| IMC Offshore Fd | £10.01 | 10.84 | | - |
| Iberian Allies W/W 5/5 | £11.49 | 11.75 | | - |

## JERSEY (SIB RECOGNISED)

| | Init Charge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **AIB Fund Managers (CI) Ltd** | | | | | | |
| PO Box 468 St Helier Jersey | | | | | | 0534 36633 |
| AIB Currency Funds Ltd | | | | | | |
| Intl Managed Bond | 5 | | I£-22.5913 | 22.6093 | | - |
| Managed Capital Bd | 5 | | I£-22.2921 | 22.3670 | | - |
| AIB Grofund Currency Fund Limited | | | | | | |
| Stlg Mngd Currency | 5 | | £- | 11.1156 | | - |
| Sterling Currency Fd | 5 | | £- | 10.6669 | | - |
| Ecu Currency | 5 | | Ecu- | 11.0902 | | - |
| US Dollar Mngd Curr | 5 | | $- | 21.7461 | | - |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Lloyds Bank Trust Co (CI) Mngrs** | | | | |
| Lloydtrust World Inc Port | £2.621 | 2.753 | -0.008 | 1.21 |
| Dealing Weekly on Thursday | | | | |
| **Management International (Jersey) Ltd** | | | | |
| Anchor Gilt Edge (z) | £10.10 | 10.15 | +0.01 | 9.26 |
| **Minerals, Oils Res. Shrs. Fd. Inc.** | | | | |
| Mores Feb 18 | $13.82 | 14.11 | +0.03 | 2.63 |
| **Nat. Westminster Jersey Fd. Mgrs. Ltd** | | | | |
| Sterling Income (z) | 55.6 | 58.0 | | 7.30 |
| UK Equity Fd (z) | 225.6 | 240.0 | -0.02 | 2.67 |
| *Intl Bond Fd | 101.8 | 105.0 | +0.01 | 6.51 |
| *Sterling Mngd Asset Fd | 554.5 | 584.0 | -0.02 | 4.57 |
| *Sub day every Thurs. | | | | |
| NatWest Trust/Cos Currency Fund (z) | | | | |
| Dollar Class | $38.3564 | | +0.0077 | - |
| Sterling Class | £27.2323 | | +0.0122 | - |
| D-Mark Class | DM84.7696 | | +0.0553 | - |
| Japanese Yen Class | Y8002.7799 | | +1.7238 | - |
| Ashburton Replica Portfolio Ltd | | | | |
| Ashburton Replica P'fono Ltd £ | 11.78 | 12.24 | - | - |
| Ashburton Replica P'fono Ltd US$ | $10.70 | 11.13 | - | - |
| **Northgate Unit Tst. Mngr. (Jersey) Ltd** | | | | |
| Pacific Fund Feb 10 | $36.10 | 38.38 | +0.19 | - |
| **Perpetual UT Mngrs (Jersey) Ltd** | | | | |
| Offshore Intl Gwth Fd | 53.6708 | 3.9010 | - | - |
| Offshore Japanese Gwth Fd | 50.9454 | 1.0047 | | - |
| Offshore Am Gwth Fd | 56.4983 | 6.8952 | | - |
| Offshore Emerging Cos | 54.1156 | 4.3739 | | - |
| Offshore European Fd | 51.5694 | 1.6679 | | - |
| Offshore Global Bond | 50.9851 | 1.0262 | | - |
| Offshore Global Bond Acc | 50.9851 | 1.0262 | | - |
| Offshore Far Eastern Fd | 52.4998 | 2.6566 | | - |
| Offshore UK Growth Fd | 52.0067 | 2.1326 | | - |
| **The Portugal Fund Limited** | | | | |
| Lloyds Bank Trust Company (Channel Islands) Ltd | | | | |
| NAV Feb 12 | | 54.30 | | - |
| **Royal Bk of Scotland Fd Mngrs (Jersey) Ltd** | | | | |
| Ivory Growth Fund | £15.63 | 15.87 | - | 1.43 |
| LFM Defensive Strgy | £11.68 | 12.29 | | - |
| **Royal Trust Intl Fd Mngt Ltd** | | | | |

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# $ rides Clinton switchback

THE DOLLAR bounced higher in early European trading but doubts about President Clinton's plans for reducing the US budget deficit left it struggling to break through DM1.6400, *write Emma Tucker and Gillian Tett.*

The market's initial reaction to the President's economic package was favourable and the US currency rose to DM1.6600, but by the European close it had dropped to around DM2.6300.

Market worries were fed by Whitehouse comments that the President hoped to work with the Federal Reserve to keep rates low and that Mr Alan Greenspan, chairman of the Federal Reserve shared that goal. These appeared to outweigh relatively strong inflation and trade data. The December merchandise trade deficit narrowed to $6.95bn from $7.35bn and both the headline and core rates of inflation rose by more than expected.

Mr Stephen Hannah, economist at IBJ International, said the dollar's volatility stemmed from markedly different reactions to the President's message.

"One camp is highly cynical, and says the budget reductions are based on tax increases rather than lower expenditure," he said. "It worries that the expenditure figures will rise once the plans reach Congress so a high deficit will continue to be generated."

The opposing view, according to Mr Hannah, is that President Clinton is being bold and is dealing with the deficit in the appropriate manner.

Mr Avinash Persaud, currency economist at UBS Phillips and Drew, believes the president's growth package will trigger fast economic growth this year.

"The key factor is the timing of the fiscal stimulus with respect to his reduction measures. The fiscal stimulus is front end loaded whereas reduction measures are back end loaded," Mr Persaud said, pointing out that since Clinton's tax measures would not be introduced until at least the autumn, they would not damp economic growth this year.

The dollar closed up just over ½ a pfennig at DM1.6335.

Trading in European currencies was quiet. The exchange rate mechanism came under no particular pressure, with poor industrial production figures in France making little impact on the franc. The French currency closed fractionally stronger at FFr3.389 against the D-Mark.

The lira continued to fall in spite of the reduction in ERM tensions, suggesting that it is now domestic factors determining the lira's level. Mr Neil MacKinnon, chief economist at Citibank said: "The lira has been very much undermined by worries over the strength of the government coalition." It closed at L953.4 against the D-Mark compared with L951.1 at the previous close.

Sterling stood on the sidelines, unmoved by better than expected bank lending and unemployment figures. It closed up a pfennig at DM2.3600.

### £ IN NEW YORK

| Feb.18 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.4455-1.4465 | 1.4450 1.4460 |
| 1 month | 0.35-0.34pm | 0.36 0.34pm |
| 3 months | 1.07-1.05pm | 1.06 1.03pm |
| 12 months | 3.00-2.90pm | 2.90 2.80pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

| | Feb 18 | Previous |
|---|---|---|
| 8.30 am | 76.4 | 77.0 |
| 9.00 am | 76.5 | 77.0 |
| 10.00 am | 76.3 | 77.0 |
| 11.00 am | 76.3 | 76.9 |
| Noon | 76.1 | 77.0 |
| 1.00 pm | 76.3 | 76.8 |
| 2.00 pm | 76.4 | 76.5 |
| 3.00 pm | 76.6 | 76.5 |
| 4.00 pm | 76.7 | 76.5 |

### CURRENCY RATES

| Feb 18 | Bank ‡ rate % | Special * Drawing Rights | European † Currency Unit |
|---|---|---|---|
| Sterling | - | 0.950014 | 0.824812 |
| U.S Dollar | 3.00 | 1.37847 | 1.17659 |
| Canadian $ | 6.40 | 1.73880 | 1.48427 |
| Austrian Sch | 8.25 | 15.7876 | 13.6579 |
| Belgian Franc | 7.50 | 46.2580 | 39.9571 |
| Danish Krone | 11.50 | 8.61682 | 7.44078 |
| D-Mark | 8.00 | 2.24374 | 1.94076 |
| Dutch Guilder | 7.50 | 2.52908 | 2.18505 |
| French Franc | 10 | N/A | 6.57340 |
| Italian Lira | 11.50 | N/A | 1840.17 |
| Japanese Yen | 2.50 | 165.141 | 140.897 |
| Norway Krone | - | 9.56038 | 8.25028 |
| Spanish Peseta | - | 161.598 | 138.791 |
| Swedish Krona | 11.50 | 10.2620 | 8.93270 |
| Swiss Franc | 5.50 | 2.07432 | 1.79901 |
| Greek Drach | 19 | N/A | 260.804 |
| Irish Punt | - | N/A | 0.796018 |

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Feb.17

### CURRENCY MOVEMENTS

| Feb 18 | Bank of England Index | Morgan** Guaranty Changes % |
|---|---|---|
| Sterling | 76.7 | -32.79 |
| U.S Dollar | 66.5 | -11.40 |
| Canadian Dollar | 96.1 | -6.38 |
| Austrian Schilling | 115.5 | +17.08 |
| Belgian Franc | 116.4 | +2.13 |
| Danish Krone | 119.4 | +12.85 |
| D-Mark | 126.10 | +32.61 |
| Swiss Franc | 110.1 | +18.19 |
| Dutch Guilder | 120.1 | +21.44 |
| French Franc | 110.6 | -6.17 |
| Lira | 79.8 | -34.69 |
| Yen | 160.8 | +97.04 |
| Peseta | 116.4 | -24.85 |

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Feb.17

### OTHER CURRENCIES

| Feb 18 | £ | $ |
|---|---|---|
| Argentina | 1.4335 - 1.4365 | 0.9990 - 1.0000 |
| Australia | 2.0890 - 2.0910 | 1.4545 - 1.4555 |
| Brazil | 27118.0 - 27118.9 | 18871.3 - 18871.5 |
| Finland | 8.4365 - 8.5430 | 5.8900 - 5.9200 |
| Greece | 312.300 - 318.550 | 217.250 - 221.590 |
| Hong Kong | 11.0995 - 11.1115 | 7.7305 - 7.7315 |
| Iran | 2200.00* | 1485.00* |
| Korea(Sth) | 1143.05 - 1161.50 | 793.50 - 799.70 |
| Kuwait | 0.44000 - 0.44100 | 0.30700 - 0.30750 |
| Luxembourg | 48.65 - 48.75 | 33.65 - 33.75 |
| Malaysia | 3.7695 - 3.7795 | 2.6280 - 2.6290 |
| Mexico | 4.4455 - 4.4485 | 3.0925 - 3.0945 |
| N.Zealand | 2.7845 - 2.7890 | 1.9370 - 1.9400 |
| Saudi Ar. | 5.3825 - 5.3935 | 3.7495 - 3.7505 |
| Singapore | 2.3550 - 2.3610 | 1.6410 - 1.6420 |
| S.Af (Cm) | 4.4890 - 4.4995 | 3.1285 - 3.1305 |
| S.Af (Fn) | 6.6155 - 6.6615 | 4.6020 - 4.6340 |
| Taiwan | 37.25 - 37.40 | 25.90 - 26.00 |
| U.A.E. | 5.2685 - 5.3935 | 3.6715 - 3.6735 |

*Floating rate. Iran Official rate:£98.50 $66.30

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Feb 18 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Spanish Peseta | 142.150 | 138.791 | -2.36 | 2.79 | 41 |
| Portuguese Escudo | 180.624 | 177.077 | -1.96 | 2.37 | 33 |
| Irish Punt | 0.809996 | 0.796018 | -1.73 | 2.12 | 65 |
| Dutch Guilder | 2.20045 | 2.18505 | -0.70 | 1.07 | 21 |
| Belgian Franc | 40.2802 | 39.9571 | -0.80 | 1.17 | 25 |
| D-Mark | 1.95294 | 1.94076 | -0.62 | 0.99 | 22 |
| Danish Krone | 7.44934 | 7.44078 | -0.11 | 0.47 | -8 |
| French Franc | 6.54988 | 6.57340 | 0.36 | 0.00 | -36 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### POUND SPOT - FORWARD AGAINST THE POUND

| Feb 18 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| US | 1.4180 - 1.4520 | 1.4450 - 1.4460 | 0.36-0.34cpm | 2.91 | 1.06-1.03pm | 2.89 |
| Canada | 1.7930 - 1.8295 | 1.8245 - 1.8255 | 0.08pm-0.01cdis | 0.23 | 0.10-0.00dis | -0.20 |
| Netherlands | 2.6280 - 2.6650 | 2.6550 - 2.6650 | ½-¾cdis | -1.97 | 1¼-1½dis | -1.97 |
| Belgium | 48.00 - 48.90 | 48.65 - 48.75 | 11-15cdis | -3.20 | 32-38dis | -2.87 |
| Denmark | 8.9640 - 9.0920 | 9.0300 - 9.0400 | 7-12¼oredis | -12.78 | 24½-33½dis | -12.87 |
| Ireland | 0.9600 - 0.9720 | 0.9695 - 0.9705 | 0.65-0.75cdis | -8.66 | 1.80-1.96dis | -7.75 |
| Germany | 2.3390 - 2.3665 | 2.3575 - 2.3625 | ½-½pfdis | -2.22 | 1¼-1½dis | -2.22 |
| Portugal | 213.20 - 216.80 | 215.80 - 216.80 | 119-128cdis | -6.85 | 365-391dis | -6.99 |
| Spain | 167.85 - 169.55 | 169.25 - 169.55 | 94-111cdis | -7.26 | 301-326dis | -7.40 |
| Italy | 2209.50 - 2259.90 | 2249.50 - 2250.50 | 8-10liredis | -4.80 | 27-30dis | -5.07 |
| Norway | 9.9430 - 10.0920 | 10.0525 - 10.0625 | 1¼-3oredis | -2.46 | 5½-8dis | -2.71 |
| France | 7.9195 - 8.0170 | 7.9925 - 8.0025 | 3¼-3¾cdis | -5.35 | 10½-11¼dis | -5.56 |
| Sweden | 10.8830 - 10.9550 | 10.9000 - 10.9100 | 1½-3⅝oredis | -3.03 | 6½-8⅞dis | -2.82 |
| Japan | 169.95 - 173.35 | 172.25 - 173.25 | ½-¼ypm | 3.04 | 1¼-1¼pm | 2.89 |
| Austria | 16.40 - 16.70 | 16.60 - 16.63 | 1¼-2¼grodis | -1.63 | 3¼-5dis | -0.99 |
| Switzerland | 2.1580 - 2.1890 | 2.1775 - 2.1875 | ¼c-parcpm | 0.34 | ½-¼pm | 0.57 |
| Ecu | 1.2085 - 1.2215 | 1.2205 - 1.2215 | 0.31-0.35cdis | -3.24 | 0.97-1.04dis | -3.29 |

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.86-1.81pm. 12 Month 2.92-2.82pm.

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

| Feb 18 | Day's spread | Close | One month | % p.a. | Three months | % p.a. |
|---|---|---|---|---|---|---|
| UK† | 1.4180 - 1.4520 | 1.4450 - 1.4460 | 0.36-0.34cpm | 2.91 | 1.06-1.03pm | 2.89 |
| Ireland† | 1.4690 - 1.4980 | 1.4960 - 1.4970 | 1.40-1.30cpm | 10.83 | 3.90-3.70pm | 10.16 |
| Canada | 1.2585 - 1.2655 | 1.2590 - 1.2600 | 0.26-0.30cdis | -2.67 | 0.89-0.96dis | -2.94 |
| Netherlands | 1.8380 - 1.8635 | 1.8390 - 1.8400 | 0.74-0.77cdis | -4.93 | 2.26-2.32dis | -4.98 |
| Belgium | 33.65 - 34.15 | 33.65 - 33.75 | 15.00-18.00cdis | -5.88 | 48.00-53.00dis | -5.99 |
| Denmark | 6.2245 - 6.3395 | 6.2475 - 6.2525 | 5.50-9.00oredis | -13.92 | 20.00-27.00dis | -15.04 |
| Germany | 1.6270 - 1.6580 | 1.6330 - 1.6340 | 0.71-0.73pfdis | -5.29 | 2.13-2.16dis | -5.25 |
| Portugal | 149.75 - 151.45 | 149.75 - 149.85 | 118-123cdis | -9.65 | 375-385dis | -10.15 |
| Spain | 116.95 - 118.90 | 117.10 - 117.20 | 100-108cdis | -10.65 | 305-315dis | -10.58 |
| Italy | 1546.00 - 1569.00 | 1556.25 - 1556.75 | 9.50-10.30liredis | -7.63 | 31.00-32.20dis | -8.12 |
| Norway | 6.9245 - 7.0325 | 6.9550 - 6.9600 | 2.90-3.30oredis | -5.35 | 9.50-10.25dis | -5.68 |
| France | 5.5210 - 5.6120 | 5.5300 - 5.5350 | 3.70-3.90cdis | -8.24 | 11.75-12.15dis | -8.64 |
| Sweden | 7.4255 - 7.6320 | 7.5425 - 7.5475 | 3.50-4.10oredis | -6.04 | 10.80-11.80dis | -5.99 |
| Japan | 119.10 - 120.00 | 119.50 - 119.60 | par-0.01ydis | -0.05 | par-0.02dis | -0.03 |
| Austria | 11.4900 - 11.6325 | 11.5850 - 11.5900 | 4.20-4.55grodis | -4.53 | 13.00-14.10dis | -4.68 |
| Switzerland | 1.5045 - 1.5325 | 1.5085 - 1.5095 | 0.29-0.32cdis | -2.43 | 0.88-0.95dis | -2.40 |
| Ecu† | 1.1755 - 1.1910 | 1.1900 - 1.1910 | 0.60-0.59cpm | 6.00 | 1.84-1.81pm | 6.13 |

Commercial rates taken towards the end of London trading. † UK, Ireland and Ecu are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

### EURO-CURRENCY INTEREST RATES

| Feb 18 | Short term | 7 Days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Sterling | 5½ - 5¼ | 6¼ - 5⅞ | 6⅜ - 6¼ | 6⅜ - 6¼ | 5 13/16 - 5 13/16 | 5 13/16 - 5¾ |
| US Dollar | 3¼ - 2 13/16 | 3¼ - 3 | 3¼ - 3 | 3 3/16 - 3 1/16 | 3 5/16 - 3 3/16 | 3⅝ - 3½ |
| Can. Dollar | 6¼ - 6 | 6¼ - 6 | 5 15/16 - 5 13/16 | 6 - 5⅞ | 6¼ - 6⅛ | 6⅝ - 6½ |
| Dutch Guilder | 8 5/16 - 8 3/16 | 8 5/16 - 8 3/16 | 8 5/16 - 8 3/16 | 8 3/16 - 8 1/16 | 7 13/16 - 7 11/16 | 7⅝ - 7½ |
| Swiss Franc | 5⅝ - 5⅜ | 5⅝ - 5⅜ | 5⅝ - 5⅜ | 5 9/16 - 5 7/16 | 5⅜ - 5¼ | 5¼ - 5 |
| D-Mark | 8 9/16 - 8 7/16 | 8 9/16 - 8 7/16 | 8⅝ - 8½ | 8⅝ - 8½ | 7 15/16 - 7 13/16 | 7⅜ - 7¼ |
| French Franc | 11⅝ - 11⅛ | 11⅝ - 11½ | 11¾ - 11⅜ | 11¾ - 11⅜ | 10¾ - 10⅜ | 9⅞ - 9⅝ |
| Italian Lira | 13 - 11 | 11½ - 11 | 11½ - 11⅛ | 11⅜ - 11 | 11¼ - 10⅞ | 11¼ - 10⅞ |
| Belgian Franc | 9¼ - 9 | 9¼ - 9⅛ | 9 5/16 - 9 3/16 | 9 3/16 - 9 1/16 | 8½ - 8⅜ | 7 15/16 - 7 13/16 |
| Yen | 3⅜ - 3⅛ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ | 3⅜ - 3¼ |
| Danish Krone | 15½ - 14½ | 18 - 13 | 20 - 15 | 19½ - 15½ | 15½ - 13 | 14 - 12 |
| Asian $Sing | 4 - 3 | 4 - 3 | 3½ - 2½ | 3¼ - 2¼ | 3¼ - 2¼ | 4 - 3 |
| Spanish Peseta | 13¾ - 13½ | 13⅞ - 13⅝ | 14 - 13¾ | 13⅝ - 13⅜ | 13¼ - 13 | 12⅞ - 12⅝ |
| Portuguese Esc. | 12¼ - 11¾ | 13¼ - 13 | 13¾ - 13½ | 13 13/16 - 13⅝ | 13 13/16 - 13⅝ | 13½ - 13¼ |

Long term Eurodollars: two years 4¼-4⅛ per cent; three years 4 13/16-4 11/16 per cent; four years 5 3/16-5 1/16 per cent; five years 5 11/16-5 9/16 per cent nominal. Short term rates are call for US Dollar and Japanese Yen; others, two days' notice.

### EXCHANGE CROSS RATES

| Feb.18 | £ | $ | DM | Yen | F Fr. | S Fr. | H Fl. | Lira | C$ | B Fr. | Pta. | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| £ | 1 | 1.446 | 2.360 | 172.8 | 7.998 | 2.183 | 2.660 | 2250. | 1.825 | 48.70 | 169.4 | 1.221 |
| $ | 0.692 | 1 | 1.632 | 119.5 | 5.531 | 1.510 | 1.840 | 1556 | 1.262 | 33.68 | 117.2 | 0.844 |
| DM | 0.424 | 0.613 | 1 | 73.22 | 3.389 | 0.925 | 1.127 | 953.4 | 0.773 | 20.64 | 71.78 | 0.517 |
| YEN | 5.787 | 8.368 | 13.66 | 1000. | 46.28 | 12.63 | 15.39 | 13021 | 10.56 | 281.8 | 980.3 | 7.066 |
| F Fr. | 1.250 | 1.808 | 2.951 | 216.1 | 10. | 2.729 | 3.326 | 2813 | 2.282 | 60.89 | 211.8 | 1.527 |
| S Fr. | 0.458 | 0.662 | 1.081 | 79.16 | 3.664 | 1 | 1.219 | 1031 | 0.836 | 22.31 | 77.60 | 0.559 |
| H Fl. | 0.376 | 0.544 | 0.887 | 64.96 | 3.007 | 0.821 | 1 | 845.9 | 0.686 | 18.31 | 63.68 | 0.459 |
| Lira | 0.444 | 0.643 | 1.049 | 76.80 | 3.555 | 0.970 | 1.182 | 1000. | 0.811 | 21.64 | 75.29 | 0.543 |
| C$ | 0.548 | 0.792 | 1.293 | 94.68 | 4.382 | 1.196 | 1.458 | 1233 | 1 | 26.68 | 92.82 | 0.669 |
| B Fr. | 2.053 | 2.969 | 4.846 | 354.8 | 16.42 | 4.483 | 5.462 | 4620 | 3.747 | 100. | 347.8 | 2.507 |
| Pta | 0.590 | 0.854 | 1.393 | 102.0 | 4.721 | 1.289 | 1.570 | 1328 | 1.077 | 28.75 | 100. | 0.721 |
| Ecu | 0.819 | 1.184 | 1.933 | 141.5 | 6.550 | 1.788 | 2.179 | 1843 | 1.495 | 39.89 | 138.7 | 1 |

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls March | Calls June | Calls September | Puts March | Puts June | Puts September |
|---|---|---|---|---|---|---|
| 111 | - | - | - | - | 0.11 | - |
| 112 | 1.38 | - | - | 0.02 | 0.18 | - |
| 113 | 0.46 | 2.62 | - | 0.12 | 0.30 | - |
| 114 | 0.05 | 1.84 | - | 0.69 | 0.50 | - |
| 115 | - | 1.17 | - | - | 0.85 | - |
| Open int. | 123,425 | 111,138 | 7,936 | 191,893 | 68,624 | 5,790 |

Estimated volume 44,214 † Total Open Interest 509,806
† All Yield & Open Interest figures are for the previous day.

### POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

| Spot | 1-mth. | 3-mth. | 6-mth. | 12-mth. |
|---|---|---|---|---|
| 1.4455 | 1.4420 | 1.4350 | 1.4271 | 1.4168 |

## BASE LENDING RATES

| | % | | % | | % |
|---|---|---|---|---|---|
| Adam & Company | 6 | Cyprus Popular Bank | 6 | Mount Banking | 6 |
| Allied Trust Bank | 6 | Duncan Lawrie | 6 | NatWestminster | 6 |
| AIB Bank | 6 | Equatorial Bank plc | 6 | Nykredit Mortgage Bnk | 6.5 |
| ●Henry Ansbacher | 6 | Exeter Bank Limited | 7 | ●Rea Brothers | 6 |
| B & C Merchant Bank | 13 | Financial & Gen Bank | 7 | Roxburghe Bank Ltd | 6 |
| Bank of Baroda | 6 | ●Robert Fleming & Co | 6 | Royal Bk of Scotland | 6 |
| Banco Bilbao Vizcaya | 6 | Girobank | 6 | ●Smith & Williamson Secs | 6 |
| Bank of Cyprus | 6 | ●Guinness Mahon | 6 | Standard Chartered | 6 |
| Bank of Ireland | 6 | Habib Bank AG Zurich | 6 | TSB | 6 |
| Bank of India | 6 | ●Hambros Bank | 6 | Unibank plc | 6 |
| Bank of Scotland | 6 | Hampshire Trust Plc | 13.5 | ●United Bk of Kuwait | 6 |
| Barclays Bank | 6 | Heritable & Gen Inv Bk. | 6 | Unity Trust Bank Plc | 6 |
| Brit Bk of Mid East | 6 | ●Hill Samuel | 6 | Western Trust | 6 |
| ●Brown Shipley | 6 | C. Hoare & Co | 6 | Whiteaway Laidlaw | 6 |
| CL Bank Nederland | 6 | Hongkong & Shanghai | 6 | Yorkshire Bank | 6 |
| Citibank NA | 6 | Julian Hodge Bank | 6 | | |
| City Merchants Bank | 6 | ●Leopold Joseph & Sons | 6 | | |
| Clydesdale Bank | 6 | Lloyds Bank | 6 | | |
| The Co-operative Bank | 6 | Meghraj Bank Ltd | 6 | | |
| Coutts & Co | 6 | McDonnell Douglas Bk. | 6 | | |
| Credit Lyonnais | 6 | Midland Bank | 6 | | |

● Members of British Merchant Banking & Securities Houses Association

## MONEY MARKETS

# French futures firmer

FRENCH PIBOR futures were slightly firmer yesterday, buoyed by a stronger franc and news that the Bank of France was making progress in rebuilding reserves.

Dealers reported that the shorter dated futures contracts had been oversold on fears that the central bank was failing to replenish its foreign currency reserves and would have to keep short dates high for longer, in order to attract funds. With these fears diminished, the March and June contracts bounced back.

The March contract rose over 12 basis points during the day, and the June contract was 14 basis points higher at the close.

**UK clearing bank base lending rate 6 per cent January 26, 1993**

The German debt market was generally firmer, but short dated Euromark futures did not move significantly, trading in a very narrow range. There was some residual disappointment in the market after the Bundesbank left its key interest rates unchanged after its council meeting, even though this was expected. Although there are hopes for further early rate cuts by the German authorities, dealers reported that the market had already priced in the next round of easing. The June contract closed at around 92.90, unchanged on the day.

The UK money markets were extremely quiet. The Bank of England posted a small shortage of £100m and did not operate in the morning. The forecast was then revised to a flat position and there were no afternoon operations.

Period rates were mostly unchanged. The three month interbank rate stayed at 6¼ per cent on the offered side.

Short sterling contracts were steady for most of the day. One dealer said there was no particular reason for the market to change its view that the government would not cut rates at the Budget next month, particularly after yesterday's economic figures. These included higher than forecast bank lending, and a smaller rise in unemployment in January than in the previous month.

"The revival of bank lending, and the less than horrific unemployment figures point to the fact that the recovery has started somewhere. We have also had a fairly consistent fall in the pound," said one dealer.

Otherwise, yesterday's sluggish trading reflected a generally unfocussed week. The market is looking ahead to next week when conditions are expected to be much tighter.

### FT LONDON INTERBANK FIXING

| (11.00 a.m. Feb.18) 3 months US dollars | | 6 months US Dollars | |
|---|---|---|---|
| bid 3¼ | offer 3⅜ | bid 3⅜ | offer 3½ |

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

### MONEY RATES

**NEW YORK** — Treasury Bills and Bonds

| Lunchtime | | | | | |
|---|---|---|---|---|---|
| Prime rate | 6 | One month | 2.73 | Three year | 4.44 |
| Broker loan rate | 5 | Two month | 2.79 | Five year | 5.30 |
| Fed.funds | 3 | Three month | 2.95 | Seven year | 5.78 |
| Fed funds at intervention | - | Six month | 3.09 | 10-year | 6.20 |
| | | One year | 3.30 | 30-year | 7.04 |
| | | Two year | 3.96 | | |

| Feb.18 | Overnight | One Month | Two Months | Three Months | Six Months | Lombard Intervention |
|---|---|---|---|---|---|---|
| Frankfurt | 8.55-8.65 | 8.45-8.60 | 0.35-8.50 | 8.25-8.40 | 7.85-8.00 | 9.00 |
| Paris | 11¼-11½ | 11¾-12 | - | 11⅞-12 | - | 9.10 |
| Zurich | 5¾-5¼ | 5 7/16-5 5/16 | - | 5¾-5½ | - | - |
| Amsterdam | - | - | - | - | - | - |
| Tokyo | 3¼-3¼ | 3⅜-3¼ | - | - | - | - |
| Milan | 11⅝-11¼ | 11⅝-11⅜ | - | 11 5/16-11 1/16 | - | - |
| Brussels | - | - | - | - | - | - |
| Dublin | 13½-13¼ | 14¾-15 | 14¼-14½ | 14-14¼ | 13-13¼ | - |

### LONDON MONEY RATES

| Feb 18 | Overnight | 7 days notice | One Month | Three Months | Six Months | One Year |
|---|---|---|---|---|---|---|
| Interbank Offer | 5⅛ | 5⅞ | 6¼ | 6⅜ | 6 | 5 13/16 |
| Interbank Bid | 3 | 5⅛ | 6⅛ | 6 3/16 | 5⅞ | 5 11/16 |
| Sterling CDs | - | - | 6 3/16 | 6⅛ | 5 13/16 | 5¾ |
| Local Authority Deps. | 5¼ | 5⅞ | 6 5/16 | 6 3/16 | 5⅞ | 5 11/16 |
| Local Authority Bonds | - | - | - | - | - | - |
| Discount Mkt Deps | 5¼ | 5½ | - | - | - | - |
| Company Deposits | - | - | - | - | - | - |
| Finance House Deposits | - | - | 6⅜ | 6⅛ | 5⅞ | 5 13/16 |
| Treasury Bills (Buy) | - | - | 5¾ | 5¾ | 5⅝ | - |
| Bank Bills (Buy) | - | - | 5 13/16 | 5 13/16 | 5⅝ | - |
| Fine Trade Bills (Buy) | - | - | - | - | - | - |
| Dollar CDs | - | - | 3.04 | 3.10 | 3.16 | 3.35 |
| SDR Linked Dep. Offer | - | - | 5½ | 5½ | 5¼ | 5¼ |
| SDR Linked Dep. Bid | - | - | 5⅜ | 5⅜ | 5⅛ | 5 |
| ECU Linked Dep. Offer | - | - | 9¾ | 9⅝ | 9⅜ | 8¾ |
| ECU Linked Dep. Bid | - | - | 9½ | 9⅜ | 8 13/16 | 8½ |

Treasury Bills (sell); one-month 5 11/16 per cent; three months 5½ per cent; six months 5¼ per cent; Bank Bills (sell): one-month 5 11/16 per cent; three months 5 11/16 per cent; Treasury Bills; Average tender rate of discount 5.3316. ECGD Fixed Rate Sterling Export Finance. Make up day January 29, 1993. Agreed rates for period February 24, 1993 to March 23, 1993, Scheme I: 8.32 p.c., Schemes II & III: 8.20 p.c. Reference rate for period January 1, 1993 to January 29, 1993, Scheme IV&V: 7.0 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7½ from February 1, 1993; Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¼ per cent from Jan.27, 1993, Deposits withdrawn for cash 1¼ per cent.



# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

## CROSSWORD

No.8,081 Set by HIGHLANDER

**ACROSS**

1 Starts to sow potatoes at this spot in a particular field (6)
4 Explosive device set pit alight first (4,4)
10 Have slice of herring on piece of bread minutes before work (7)
11 O'Connor isn't able to take counterpoint part (7)
12 Men's hospital (4)
13 Agreement for community payment (10)
15 Flattened by tax-collectors, having done wrong (6)
16 People's champion throws bone in the air (7)
20 Butterfly – involved drama about one left behind (7)
21 He has to plan for ancient language (6)
24 Equipment for foundation can be collected by Don perhaps (4-6)
26 Here's tip – use specialised vocabulary (4)
28 Expert finishes incomplete answer given by substitute (7)
29 European beauty three points ahead (7)
30 Do ever so badly giving too much medication (8)
31 Bearing heavenly food for the audience (6)

**DOWN**

1 Gaoler is disturbed in women's quarters (8)
2 Evergreen forest where shooting stars can be seen (9)
3 Resistance to current swindle (4)
5 Concerned with hearing politician supports car manufacturer (8)
6 Missed out line in plot but pretended otherwise (10)
7 I am wrong for example about the picture (5)
8 Often left in, will use key say (6)
9 Drug relied on by sprinters (5)
14 Supporting worker turning up late (10)
17 No sex on Scottish island is the story put over (9)
18 On rising spotted it in the morning and afternoon productions (8)
19 One who has spasms as an ornithologist (8)
22 Ottoman leader left old Iberian city (6)
23 Grammatically perfect perhaps, but strained (5)
25 Fault in circuits reported (5)
27 Second-place graduate has accepted – and in French (4)

Solution to Puzzle No.8,080

# WORLD STOCK MARKETS

### AUSTRIA

| February 18 | Sch | + or – |
|---|---|---|
| Austrian Airlines | 1,560 | -30 |
| Creditanstalt Pf | 823 | +9 |
| EA General | 3,610 | +35 |
| EVN | 803 | +3 |
| OeMV | 860 | +12 |
| Perlmooser Zement | 1,091 | +1 |
| Radex Heraklith | 342 | +7 |
| Reininghaus Brau | 1,145 | +5 |
| Steyr Daimler | 209 | -1 |
| Veitscher Magnesit | 262 | +2 |
| Verbund (Br) A | 430 | +5 |
| Vienna Int Airport | 528 | +2 |
| Wienerberger | 3,325 | +15 |
| Z-Laenderbank | 1,020 | — |

### BELGIUM/LUXEMBOURG

| February 18 | Frs. | + or – |
|---|---|---|
| AG Group | 2,375 | +15 |
| Ackermans | 2,845 | +5 |
| Almanij | 6,780 | +70 |
| Arbed | 2,500 | +70 |
| BBL | 3,300 | -10 |
| Bank Intl a Lux | 11,500 | — |
| Banq Gen Lux Pts | 15,500 | — |
| Banque Nat Belg | 35,225 | +250 |
| Bekaert | 14,800 | +150 |
| CBR Cement | 9,850 | +180 |
| CMB | 1,720 | +20 |
| Cobepa | 4,580 | — |
| Cockerill Priv | 106 | +5 |
| Colruyt | 5,850 | +50 |
| Delhaize Fre Lion | 1,220 | -30 |
| Electrabel | 5,780 | — |
| Electrabel AFV1 | 5,680 | +10 |
| Electrafina ACT | 2,230 | — |
| GBL | 3,080 | +60 |
| GBL AFV 1 | 3,020 | +70 |
| GIB Group | 1,282 | +18 |
| Generale Banque | 7,790 | +50 |
| Gevaert | 6,900 | +150 |

### FRANCE (continued)

| February 18 | Frs. | + or – |
|---|---|---|
| BNP Cert Inv | 480 | +11 |
| Bancaire Cie | 483.50 | +4.60 |
| Bongrain | 2,880 | +60 |
| Bouygues | 642 | +5 |
| CGIP | 1,080 | +3 |
| Canal+ | 1,238 | +17 |
| Cap Gemini S | 173.50 | +.20 |
| CarnaudMetalbox | 210 | +4 |
| Carrefour | 2,580 | +70 |
| Casino | 162 | +2 |
| Chargeurs | 1,378 | +67 |
| Club Mediterranee | 408.90 | +7.70 |
| Cogifi | 311 | — |
| Coparex Int | 583 | — |
| C C F | 238 | +4.80 |
| Cr Fonc France | 1,095 | +6 |
| Cred Lyon (CI) | 545 | +12 |
| Credit Local Fr | 378.50 | -7.50 |
| Credit National | 1,260 | +26 |
| Damart | 3,400 | +5 |
| Docks de France | 441 | +13 |
| Dollfus Mieg Cie | 289 | -2 |
| EBF | 690 | +4 |
| Eaux Cie Gen | 2,332 | +32 |
| Ecco | 430.10 | — |
| Elf Aquitaine | 363.60 | -.90 |
| Elf Aquitaine Certs | 254.90 | +2.90 |
| Elf Sanofi | 1,005 | — |
| Eridania B-Say | 647 | +3 |
| Eridania B-Say CI | 475 | +6 |
| Essilor Int | 444 | +12 |
| Etex | 1,662 | +11 |
| Eurafrance | 1,540 | +25 |
| Euro RSCG | 439.50 | -3.30 |
| Euro Disney | 73.80 | +.60 |
| Fin Poliet | 510 | +6 |
| Finextel | 126 | — |
| Fonc Lyonnaise | 618 | +10 |
| Fromageries Bel | 3,655 | +55 |
| GTM-Entrepose | 407 | +17 |
| Gal. Lafayette | 1,620 | -70 |
| Gaumont (Soc N) | 445 | +13 |
| Geophysique | 560 | -10 |
| Havas | 430 | -1 |

### CANADA

Sales figures are unofficial. Total Sales 20,394,500 shares

| Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|
| 100 | Celanese | $43 3/4 | 43 1/4 | 43 1/4 | -3/4 |
| 700 | CntCpital | 75 | 65 | 70 | |
| 55800 | Cinepx Odn | 165 | d155 | 165 | +2 |
| 900 | Cntrl Fd A | 475 | 475 | 475 | |
| 23400 | Cominco | $17 3/8 | 16 3/4 | 17 | |
| 39500 | Coputalog | 64 | 62 | 62 | -2 |
| 129000 | Corel Sys | $15 1/4 | 14 3/4 | 14 7/8 | -1/8 |
| 180800 | CoscanDev | 183 | 160 | 165 | |
| 112000 | CrownX A | 267 | 263 | 263 | +3 |
| 100 | Lafarge | $19 5/8 | 19 5/8 | 19 3/4 | |
| 700 | Laidlaw A | $11 5/8 | 11 | 11 1/8 | -1/8 |
| 298100 | Laidlaw B | $11 1/2 | 11 | 11 1/8 | -1/8 |
| 1900 | Laurent Bk | $19 3/4 | 19 1/8 | 19 1/8 | |
| 100 | Laurent Gp | 500 | 500 | 512 1/2 | |
| 16200 | Lawson Mar | $9 1/2 | 9 1/4 | 9 1/2 | -1/8 |
| 138100 | Loblaw | $21 3/4 | 21 1/4 | 21 1/2 | -1/4 |
| 75200 | Mackenzie | $5 1/4 | 5 1/8 | 5 1/8 | |
| 3200 | SLawrCm A | $7 1/2 | 7 1/2 | 7 1/2 | |
| 12300 | SceptreRs | $6 1/8 | 6 | 6 1/8 | +1/8 |
| 3100 | ScotPaper | $10 7/8 | 10 1/2 | 10 7/8 | +3/8 |
| 9800 | Scotts Hos | $9 5/8 | 9 5/8 | 9 5/8 | -1/8 |
| 156400 | Seagram Co | $33 1/8 | 32 1/2 | 32 5/8 | -3/8 |
| 12300 | Sears Can x | $8 3/4 | 8 1/4 | 8 3/8 | |
| 1500 | ShellCan A | $34 1/2 | 34 | 34 1/4 | +1/2 |
| 87100 | NatBk Can | $8 1/4 | 8 | 8 1/8 | |
| 5200 | Quebecor A | $18 | 17 3/4 | 17 3/4 | |
| 19200 | Teleglobe | $15 1/4 | 15 | 15 1/4 | +1/8 |
| 112000 | Unican | $10 1/8 | 9 3/4 | 9 7/8 | -1/4 |
| 13700 | Videotron | $18 7/8 | 18 1/2 | 18 1/2 | -1/8 |

## INDICES

### NEW YORK

| DOW JONES | Feb 17 | Feb 16 | Feb 12 | Feb 11 | 1992/93 HIGH | 1992/93 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3312.19 | 3309.49 | 3392.43 | 3422.69 | 3442.14 (5/2/93) | 3136.58 (9/10/92) | 3442.14 (5/2/93) | 41.22 (2/7/32) |
| Home Bonds | 105.88 | 105.83 | 105.98 | 106.87 | 105.98 (12/2/93) | 98.41 (20/3/92) | 105.98 (12/2/93) | 54.99 (1/10/81) |
| Transport | 1499.56 | 1515.48 | 1578.94 | 1572.29 | 1589.81 (8/2/93) | 1204.40 (25/8/92) | 1589.81 (8/2/93) | 12.32 (8/7/32) |
| Utilities | 232.72 | 230.85 | 232.16 | 232.29 | 234.16 (4/2/93) | 200.74 (8/4/92) | 238.23 (2/1/90) | 10.50 (8/4/32) |

DJ Ind. Day's High 3338.12 (3391.62) Low 3273.56 (3385.88) (Theoretical♦)
Day's High 3317.59 (3392.16) Low 3290.31 (3304.89) (Actual♦)

### STANDARD AND POOR'S

| | Feb 17 | Feb 16 | Feb 12 | Feb 11 | 1992/93 HIGH | 1992/93 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 433.30 | 433.91 | 444.58 | 447.66 | 449.56 (4/2/93) | 394.50 (8/4/92) | 449.56 (4/2/93) | 4.40 (1/6/32) |
| Industrials | 498.21 | 500.06 | 513.10 | 517.12 | 518.43 (4/2/93) | 470.81 (8/4/92) | 518.43 (4/2/93) | 3.62 (21/6/32) |
| Financial | 41.51 | 41.90 | 43.09 | 43.51 | 44.32 (4/2/93) | 32.40 (8/4/92) | 44.32 (4/2/93) | 8.64 (1/10/74) |
| NYSE Composite | 238.74 | 239.49 | 245.30 | 249.72 | 247.98 (4/2/93) | 217.32 (8/4/92) | 247.98 (4/2/93) | 4.46 (25/4/42) |
| Amex Mkt. Value | 401.36 | 405.81 | 415.47 | 417.05 | 418.99 (12/2/93) | 384.85 (9/10/92) | 418.99 (12/2/93) | 29.31 (9/12/72) |
| NASDAQ Composite | 669.43 | 665.39 | 690.54 | 695.86 | 708.85 (4/2/93) | 547.84 (26/6/92) | 708.85 (4/2/93) | 54.87 (31/10/72) |

| | Feb 12 | Feb 5 | Jan 29 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.00 | 3.01 | 3.13 | 2.82 |
| | Feb 10 | Feb 3 | Jan 27 | year ago (approx.) |
| S & P Industrial div. yield | 2.47 | 2.46 | 2.51 | 2.54 |
| S & P Indl. P/E ratio | 27.36 | 27.44 | 26.96 | 25.61 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Merck | 4,587,300 | 37 1/2 | - 5/8 |
| Philip Morris | 3,801,400 | 70 1/2 | + 3/8 |
| Chrysler | 3,460,700 | 38 1/2 | + 2 |
| Citicorp | 3,232,800 | 24 7/8 | - 5/8 |
| Bristol Myers | 2,956,400 | 57 3/8 | + 3/4 |
| Telefonos | 2,730,500 | 48 3/4 | - 1 1/4 |
| Glaxo | 2,680,100 | 19 | + 3/4 |
| Limited Inc | 2,640,000 | 24 1/4 | - 1 1/8 |
| Gen Motors | 2,617,400 | 38 5/8 | + 1 |
| Johnson & J | 2,606,700 | 42 1/8 | - 1/2 |

### TRADING ACTIVITY

| † Volume (Millions) | Feb 17 | Feb 16 | Feb 12 |
|---|---|---|---|
| New York SE | 287.180 | 330.092 | 217.383 |
| Amex | 15.580 | 19.355 | 13.724 |
| NASDAQ | (u) | 303.722 | 214.601 |
| NYSE | | | |
| Issues Traded | 2,455 | 2,461 | 2,433 |
| Rises | 768 | 379 | 744 |
| Falls | 1,152 | 1,707 | 1,105 |
| Unchanged | 535 | 375 | 584 |
| New Highs | 34 | 45 | 104 |
| New Lows | 48 | 49 | 13 |

### CANADA

| TORONTO | Feb 17 | Feb 16 | Feb 15 | Feb 12 | 1992/93 HIGH | 1992/93 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2906.86 | 2888.89 | 2927.28 | 2931.90 | 3238.87 (16/1/92) | 2529.91 (17/11/92) |
| Composite | 3417.70 | 3410.50 | 3442.19 | 3445.55 | 3666.00 (16/1/92) | 3195.40 (14/10/92) |
| MONTREAL Portfolio | 1775.33 | 1772.84 | 1783.91 | 1789.40 | 1937.58 (16/1/92) | 1663.16 (14/10/92) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

| | Feb 18 | Feb 17 | Feb 16 | Feb 15 | 1992/93 HIGH | 1992/93 LOW |
|---|---|---|---|---|---|---|
| **AUSTRALIA** | | | | | | |
| All Ordinaries (1/1/80) | 1607.3 | 1601.3 | 1612.1 | 1598.5 | 1684.50 (22/5/92) | 1357.20 (16/11/92) |
| All Mining (1/1/80) | 626.1 | 620.6 | 627.0 | 619.8 | 726.80 (3/7/92) | 545.40 (18/11/92) |
| **AUSTRIA** | | | | | | |
| Credit Aktien (30/12/84) | 340.72 | 337.66 | 340.50 | 335.83 | 458.57 (24/2/92) | 291.41 (13/8/92) |
| Traded Index (2/1/91) | 815.65 | 807.38 | 815.18 | 801.33 | 1098.43 (24/2/92) | 682.95 (13/8/92) |
| **BELGIUM** | | | | | | |
| BEL20 (1/1/91) | 1209.11 | 1202.56 | 1207.57 | 1211.05 | 1235.40 (2/6/92) | 1046.07 (2/9/92) |
| **DENMARK** | | | | | | |
| Copenhagen SE (3/1/83) | 282.14 | 281.37 | 284.45 | 284.63 | 365.29 (15/1/92) | 250.42 (28/10/92) |
| **FINLAND** | | | | | | |
| HEX General (28/12/90) | 914.4 | 911.0 | 920.2 | 918.5 | 935.90 (24/2/92) | 541.00 (7/9/92) |
| **FRANCE** | | | | | | |
| CAC General (31/12/81) | 505.71 | 497.03 | 501.23 | 503.01 | 555.83 (12/5/92) | 441.70 (7/10/92) |
| CAC 40 (31/12/87) | 1928.52 | 1904.97 | 1878.17 | 1889.49 | 2077.49 (11/5/92) | 1611.04 (5/10/92) |
| **GERMANY** | | | | | | |
| FAZ Aktien (31/12/58) | 654.57 | 651.06 | 654.13 | 652.26 | 725.26 (26/5/92) | 585.61 (12/10/92) |
| Commerzbank (1/12/53) | 1853.20 | 1842.60 | 1852.20 | 1848.60 | 2043.80 (25/5/92) | 1594.60 (12/10/92) |
| DAX (30/12/87) | 1672.26 | 1653.26 | 1664.22 | 1664.71 | 1811.57 (25/5/92) | 1420.30 (9/10/92) |
| **HONG KONG** | | | | | | |
| Hang Seng Bank (31/7/64) | 6186.94 | 6087.46 | 6085.62 | 6049.44 | 6447.11 (12/11/92) | 4301.78 (2/1/92) |
| **IRELAND** | | | | | | |
| ISEQ Overall (4/1/88) | 1271.42 | 1258.41 | 1277.66 | 1392.00 | 1469.57 (17/1/92) | 1094.86 (19/10/92) |
| **ITALY** | | | | | | |
| Banca Com. Ital. (1972) | 508.49 | 498.53 | 500.27 | 500.25 | 551.69 (8/2/92) | 354.93 (16/9/92) |
| MIB General (4/1/93) | 1118.0 | 1100.8 | 1105.0 | 1105.0 | 1125.00 (8/2/93) | 992.00 (11/1/93) |
| **JAPAN** | | | | | | |
| Nikkei (16/5/49) | 16882.14 | 17008.63 | 16916.32 | 17117.98 | 23801.18 (8/1/92) | 14309.41 (18/8/92) |
| Tokyo SE (Topix) (4/1/68) | 1293.12 | 1293.27 | 1282.33 | 1306.76 | 1763.43 (6/1/92) | 1102.50 (18/8/92) |
| 2nd Section (4/1/68) | 1701.86 | 1694.71 | 1695.96 | 1696.42 | 2459.85 (8/1/92) | 1502.77 (19/8/92) |
| **MALAYSIA** | | | | | | |
| KLSE Composite (4/4/86) | 623.11 | 625.81 | 635.01 | 634.91 | 680.35 (5/11/92) | 546.63 (14/1/92) |
| **NETHERLANDS** | | | | | | |
| CBS TtlRtn.Gen.(End 1983) | 309.6 | 306.2 | 308.5 | 309.4 | 314.60 (9/6/92) | 274.00 (8/1/92) |
| CBS All Shr (End 1983) | 208.4 | 208.1 | 208.3 | 208.3 | 215.50 (26/5/92) | 189.70 (25/8/92) |
| **NORWAY** | | | | | | |
| Oslo SE (Ind) (2/1/83) | 708.10 | 707.67 | 717.85 | 719.86 | 772.74 (18/6/92) | 532.43 (25/8/92) |
| **PHILIPPINES** | | | | | | |
| Manila Comp (2/1/85) | 1459.26 | 1409.11 | 1413.08 | 1406.09 | 1580.85 (11/6/92) | 1083.01 (17/3/92) |
| **SINGAPORE** | | | | | | |
| SES All-Singapore (2/4/75) | 412.87 | 410.15 | 413.18 | 416.29 | 418.98 (21/1/92) | 351.41 (21/10/92) |
| **SOUTH AFRICA** | | | | | | |
| JSE Gold (28/9/78) | 1009.0¥ | 1050.0 | 1008.0 | 981.0 | 1327.00 (21/1/92) | 748.00 (10/11/92) |
| JSE Industrial (28/9/78) | 4531.0¥ | 4529.0 | 4584.0 | 4550.0 | 4889.00 (4/6/92) | 3936.00 (19/10/92) |
| **SOUTH KOREA**** | | | | | | |
| Korea Comp Ex. (4/1/80) | 653.91 | 665.12 | 672.22 | 677.82 | 709.77 (9/1/93) | 459.07 (21/8/92) |
| **SPAIN** | | | | | | |
| Madrid SE (30/12/85) | 233.51 | 232.50 | 233.45 | 238.70 | 266.51 (28/2/92) | 179.46 (5/10/92) |
| **SWEDEN** | | | | | | |
| Affarsvarlden Gen. (1/2/37) | 984.90 | 974.00 | 984.60 | 993.70 | 1014.50 (11/5/92) | 639.00 (5/10/92) |
| **SWITZERLAND** | | | | | | |
| Swiss Bank Ind. (31/12/58) | 941.9 | 935.2 | 942.6 | 947.5 | 947.50 (15/2/93) | 748.50 (8/1/92) |
| SBC General (1/4/87) | 719.7 | 714.3 | 718.7 | 722.6 | 722.60 (15/2/93) | 596.40 (26/8/92) |
| **TAIWAN**** | | | | | | |
| Weighted Price (30/6/66) | 3961.50 | 4001.18 | 3874.73 | 3878.76 | 5391.63 (30/1/92) | 3098.43 (8/1/93) |
| **THAILAND** | | | | | | |
| Bangkok SET (30/4/75) | 981.43 | 973.24 | 986.65 | 988.33 | 898.44 (25/1/93) | 667.84 (19/5/92) |
| **WORLD** | | | | | | |
| M.S. Capital Intl.(1/1/70) $ | 502.3* | 500.9 | 500.4 | 504.9 | 542.10 (7/1/92) | 487.50 (8/4/92) |
| Euro Top-100 (26/6/90) | 919.80 | 911.05 | 913.43 | 918.95 | 976.55 (25/5/92) | 772.52 (5/10/92) |

**Saturday February 13: Taiwan Weighted Price: 3,883.45, Korea Comp Ex. 877.38
¥ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

### TOKYO - Most Active Stocks

Thursday, 18th February, 1993

| | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|
| Npn Steel Corp | 6.5m | 295 | +1 |
| Nagase & Co | 5.3m | 908 | +32 |
| Kobe Elec | 3.6m | 816 | +4 |
| Toyota Motor | 3.4m | 1,350 | -10 |
| Hitachi | 3.3m | 876 | -2 |
| Daikyo Kanko | 3.2m | 882 | -2 |
| Kanematsu Corp | 3.2m | 418 | +4 |
| Shizuoka Bank | 3.2m | 1,310 | -20 |
| Komatsu | 2.8m | 655 | -15 |
| Isuzu Motor | 2.7m | 372 | -2 |

4 pm close February 18

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES



Continued on next page

# NYSE COMPOSITE PRICES

| 1992/93 High | Low | Stock | Div. | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Chng Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| Continued from previous page | | | | | | | | | | |
| 22⅝ | 14⅞ | Ruddick | 0.24 | 1.1 | 16 | 54 | 21⅞ | 21½ | 21⅝ | +⅛ |
| 37 | 18 | RussBerrie | 0.70 | 2.8 | 5 | 593 | 26⅜ | 25¼ | 25⅝ | -1⅛ |
| 40⅛ | 27¾ | Russell Cp | 0.38 | 1.1 | 18 | 186 | 33⅛ | 32⅞ | 33 | -⅛ |
| 32¼ | 19⅝ | Ryder Syst | 0.60 | 2.1 | 20 | 3896 | 29⅛ | 28¼ | 29⅛ | +⅞ |
| 26 | 18 | Ryland Grp | 0.60 | 3.1 | 11 | 1221 | 20½ | 19½ | 19⅝ | +⅛ |
| - S - | | | | | | | | | | |
| 21 | 16⅞ | S Anita Rt | 1.36 | 6.7 | 28 | 156 | 20¼ | 19⅞ | 20¼ | +¼ |
| 20⅝ | 13¼ | SCOR US Cp | 0.28 | 1.4 | 17 | 55 | d20⅝ | 20¼ | 20⅝ | +¼ |
| 29½ | 19 | SPS Techno | 1.28 | 5.7 | 16 | 229 | 22½ | 21⅝ | 22½ | +1⅝ |
| 15⅛ | 12⅛ | Sabine Rt x | 1.25 | 9.5 | 10 | 72 | 13⅛ | 13 | 13⅛ | -⅛ |
| 11⅞ | 7¾ | Safecard | 0.10 | 1.0 | 13 | 327 | 10⅝ | 9⅞ | 10⅛ | -½ |
| 23½ | 11⅞ | Safeg'd Sc | | | 10 | 51 | 20¼ | 19⅝ | 20 | +⅛ |
| 32¼ | 21⅝ | SafetyKln | 0.36 | 1.7 | 27 | 1749 | 22 | d20⅞ | 21¼ | -½ |
| 30¼ | 9⅝ | Safeway | | | 15 | 585 | 12¾ | 12⅝ | 12¾ | +¼ |
| 4⅝ | 2 | SafewayWSG | | | | 66 | 2⅝ | 2⅝ | 2⅝ | |
| 41⅞ | 29⅞ | StJoePaper | 0.20 | 0.5 | 43 | 39 | 39⅜ | 39 | 39⅛ | -⅛ |
| 34¾ | 28⅞ | StJosL&P | 1.76 | 5.1 | 15 | 12 | 34⅜ | 34 | 34⅜ | +⅛ |
| 83⅛ | 66½ | St Paul's | 2.80 | 3.5 | 20 | 1586 | 80⅝ | 78⅞ | 80½ | +1½ |
| 10 | 2⅞ | Salant Crp | | | 5 | 8 | 8⅞ | 8¾ | 8¾ | -¼ |
| 76 | 56 | Sallie Mae | 1.20 | 2.6 | 11 | 45189 | 58½ | d45½ | 47 | -9½ |
| 14⅞ | 13 | Salomon Br x | 0.61 | 4.6 | | 962 | 13¼ | d13 | 13¼ | +⅛ |
| 41⅞ | 26¾ | Salomoniec | 0.64 | 1.6 | 9 | 2284 | 40½ | 39 | 39½ | -¼ |
| 25⅝ | 21¼ | SanDgo G&E | 1.44 | 5.8 | 14 | 431 | u25½ | 25⅛ | 25½ | +¼ |
| 4⅞ | 2⅜ | SantaFeEDs | 0.40 | 10.0 | 44 | 34 | 4⅛ | 4 | 4 | -⅛ |
| 9⅞ | 7 | SantaFeERs | 0.16 | 1.7 | 137 | 492 | u9⅞ | 9⅝ | 9⅝ | |
| 39⅜ | 30¾ | SantaFePac | 2.80 | 7.4 | 13 | 70 | 38¼ | 37¾ | 37⅞ | +¼ |
| 15⅞ | 10⅝ | SantaFeStn | 0.10 | 0.7 | 39 | 2533 | 14⅛ | 13½ | 13½ | -⅝ |
| 32½ | 27 | Sara Lee | 0.58 | 2.1 | 21 | 4523 | 28½ | 28 | 28⅛ | +¼ |
| 44¾ | 38⅝ | Scana Corp | 2.88 | 6.1 | 15 | 447 | 44⅜ | 44⅛ | 44¼ | |

[illegible]

# AMEX COMPOSITE PRICES

4 pm close February 18

[illegible]

# NASDAQ NATIONAL MARKET

4 pm close February 18

[illegible]

FINANCIAL TIMES Friday February 19 1993

AMERICA

# Dow loses early gains as buying fizzles out

## Wall Street

US prices were in mixed form yesterday following the announcement of President Bill Clinton's economic package, although secondary stocks, which were particularly hard hit earlier in the week, staged an impressive rally, *writes Patrick Harverson in New York.*

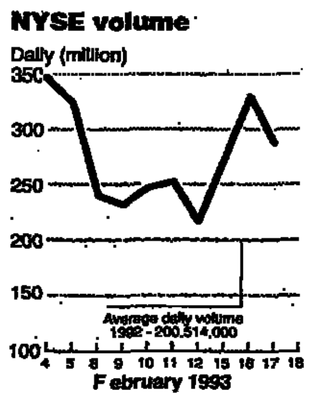
At 1 pm, the Dow Jones Industrial Average was down 14.59 at 3,297.60. The more broadly based Standard & Poor's 500 was down 1.40 at 431.90, while the Amex composite was up 1.00 at 402.36, and the Nasdaq composite up 2.69 at 662.12. Trading volume on the NYSE was 177m shares by 1 pm, and rises outnumbered declines by 1,015 to 770.

After the big sell-off on Tuesday the dominant feeling yesterday was one of relief that the State of the Union speech did not include any nasty surprises.

Taken together with further good news on the economy – industrial production up 0.4 per cent in January and weekly jobless claims down sharply – share prices saw strong early gains, lifting the Dow more than 35 points in the first few minutes of trading.

The buying, however, quickly evaporated, at least among blue-chip and large to medium sized stocks. The general reaction to the economic package was that it was much

**NYSE volume**




more bullish for bonds than equities, while concern that higher taxes will retard economic growth continued to trouble investors. Consequently, the main indices gave back their morning gains, and by early afternoon were back at opening values.

In contrast, the secondary market remained buoyant, as investors rushed to pick up Nasdaq stocks which they believed had been oversold during the first half of the week.

Leading Dow stocks were in mixed form, with IBM flat at $50½. General Motors down $⅛ at $39¾, Philip Morris up $½ at $71, International Paper down $⅞ at $64⅝, and Merck up $¼ at $37⅝.

Merck aside, most other big drug stocks were lower, still worried about possible government-imposed limits on pharmaceutical prices. Schering-Plough slipped $2⅛ to $57⅞, Pfizer fell $⅝ to $58⅞, and Bristol-Myers Squibb lost $¾ at $56⅝.

## Canada

TORONTO opened strongly on a parallel Wall Street rally, but eased by midsession when the TSE-300 composite index was just 5.98 higher at 3,423.68, reflecting weakness in financials and strength in oil and gas stocks, in particular. Volume rose from 18.5m to 24.7m shares.

# Tel Aviv drops on conflict allegations

By Hugh Carnegy in Jerusalem

SHARE prices in Tel Aviv fell heavily yesterday, the latest lurch in a 10-day downtrend as investors reacted to allegations that Israeli banks have been stoking the market to unwarranted levels.

Already depressed by worries that equities were overvalued after riding a surging bull market for most of the past two years, the index of the 100 most traded shares dropped 5 per cent during the morning session, before recouping some of the loss. It ended the day down 3.9 per cent at 194.63.

This compares with a high of 218.17 on February 8 and an end-1992 mark of 195.98, which in turn compared with a level of 100 at the beginning of 1992.

The day's fall followed remarks to a parliamentary committee on Wednesday by Mr Moshe Beijsky, the former High Court judge, which raised the spectre of a disastrous share collapse in 1983.

Mr Beijsky, who chaired a state commission of inquiry into the 1983 crash, said bank-owned mutual and providential funds, which have supplied much of the heavy demand on the TASE, "do not always have the interests of savers as their first concern." He added: "The fact that it is the banks which manage the provident and the mutual funds constitutes an inadmissible conflict of interest."

Present market conditions are very different from those of 1983, when the principal cause of the crash was the collapse of a system by which the banks ramped up their own shares. But government officials, brokers and analysts have noted that the banks, suffering from low margins in their mainstream business, have benefited by heavy lending to investors for stock purchases made through their own institutions.

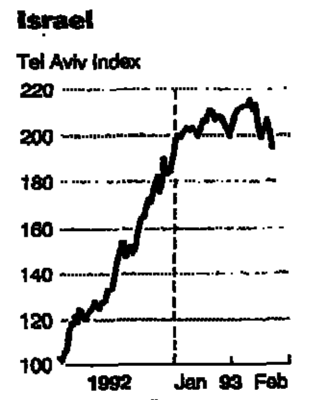
Mr David Klein of the Bank of Israel comptroller's committee also told the Knesset: "People who want to invest are still not getting objective financial advice. Each bank simply sells its own goods."

Bank of Israel officials said they were considering moves to remove mutual and providential funds completely from bank control, or at least to strengthen the "Chinese walls" between them through independently appointed investment committees. Judge Beijsky noted that his commission of inquiry had advised separation, but that no action had been taken.

The issue has acquired extra urgency because of the government's plan to sell off 20 per cent of Bank Hapoalim, the country's biggest bank, on the TASE within the next few weeks. Along with its rivals, Bank Leumi, Israel Discount Bank and Bank Mizrahi, Bank Hapoalim has been majority-owned by the state since the government spent $7bn on buying up bank stock after the 1983 crash.

Mr Klein said it would be impossible to take back control over the mutual and providential funds from the banks after they were re-privatised.

**Israel**




Source: Bank Hapoalim

In spite of the heat generated by the row over the role of the banks, analysts said it tended to cloud judgment of the underlying health of the market, which has slipped back significantly in a yo-yo pattern of trading since peaking in early February.

Comments by the Bank of Israel that the market was like a "financial bubble" and similar cautionary talk from the Finance Ministry helped to induce the slump, which the banks row compounded. Significantly, Israeli high-tech stocks quoted in New York, where they have consistently outperformed local markets over the past year, also declined on Wednesday, a day when the Dow Jones index rose overall.

But most analysts in Tel Aviv say they do not anticipate a 1983-style crash. They point out that the market is now much broader and deeper, but still not soaking up a steady flow of demand. Also, the high inflation, low growth economy of 1983 has been replaced by strong growth and single-digit inflation.

Mr David Rosenberg of Pacific Mediterranean Investments said: "The market was due for a correction, but we are probably past the worst of it." He added that average historical price-earnings ratios were down to 20 or less. "It could go to 185 before recovering, but the underlying fundamentals are still good. We think it is a little overvalued, but not much."

EUROPE

# Senior bourses anticipate German M3 data

THE BUNDESBANK did not move on interest rates yesterday but bourses rose, partly on spreading optimism for modest German M3 growth for January, *writes Our Markets Staff.*

As dealers said that hopes of further interest rate cuts were based on expectations of M3 landing within the Bundesbank's target range, the president of the Munich-based Ifo economic research institute was saying that Buba should make further cuts to encourage more capital investment.

Meanwhile, bond yields were dropping in Frankfurt and Paris, and nudging their equities higher.

**FRANKFURT** registered a seven-month high as the DAX index rose 19.00 to 1,672.26, its highest close since July 17, just after a Bundesbank rise in the German discount rate took European equities into decline. Turnover improved from DM6.1bn to DM6.5bn.

Even though there had been no decrease in rates yesterday, Mr Edgar Benischeck at Bank Julius Bär in Frankfurt said that investors were aware that the Bundesbank had taken two small steps on the downward path when, on precedent, it could be expected to take seven or eight.

Even after an 8 per cent recovery this year, he added, the DAX was still 4 per cent down from its July 16 level, while the Bundesbank's average bond yield had fallen from 8.48 to 6.71 per cent, or by 177 basis points, in the interim.

Finally, he said, the market was 12 months ahead of the economy, looking not to 1993 when the move to strong cost reductions will hit corporate profits, but to 1994 when some of the benefits will arise.

The interest rate and cost reduction themes were reflected respectively in financials, where Deutsche Bank rose DM11.70 to DM682.70, and in carmakers where Volkswagen recovered DM6.80 to DM287.40 after its fall on last Friday's DB Research downgrade.

**FT-SE Actuaries Share Indices**

February 18 — THE EUROPEAN SERIES

| Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1128.63 | 1130.87 | 1129.69 | 1130.83 | 1132.19 | 1133.24 | 1133.42 | 1132.95 |
| FT-SE Eurotrack 200 | 1179.74 | 1180.63 | 1181.84 | 1180.49 | 1186.13 | 1185.86 | 1188.48 | 1191.03 |

| | Feb 17 | Feb 16 | Feb 15 | Feb 12 | Feb 11 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1121.77 | 1123.14 | 1132.97 | 1129.97 | 1126.71 |
| FT-SE Eurotrack 200 | 1173.51 | 1179.54 | 1184.15 | 1181.05 | 1175.45 |

Base value 1000 (26/10/90) High/day: 100 - 1135.45; 200 - 1193.30 Low/day: 100 - 1128.51 200 - 1179.61.

**PARIS** stayed with the interest rate theme as many investors clung to the belief that European rates are due to ease in the short-term. The CAC-40 index, which dipped briefly after the Bundesbank left the Lombard rate unchanged, closed off the day's high of 1,932, but still 21.55 ahead at 1,926.52.

Apart from financial and bank stocks, stronger on rate cut hopes, high turnover was noted in Bon Marche, up FFr45 or 8 per cent at FFr554, with speculation that there might be a restructuring of companies in Mr Bernard Arnault's group.

Chargeurs gained FFr58 to FFr1,378 after confirming reports that it may buy a 20 per cent stake in the satellite division of Canal Plus. FFr17 firmer at FFr1,238.

Rhône-Poulenc continued to advance ahead of its inclusion in the CAC on Monday and its good earnings announcement on Wednesday. The shares rose FFr17 to FFr565.

**MILAN** stayed firmly in the grip of 'Fiat fever' as shares in the car group advanced another 9 per cent, fixing at L5,400. Most analysts believe that demand for the stock has come about partly because of its relative cheapness prior to its gains at the end of last week, and through foreign institutions, underweight in Italy, looking to enter the market. Speculation that Fiat might be planning a rights issue with warrants has also fuelled demand, according to other analysts.

The Comit index rose 7.96 to 506.49. Olivetti gained L65 to L2,095 while, among the banks, Mediobanca was L555 firmer at L14,705.

**ZURICH** followed the general trend, helped by easier Swiss interest rates, banks were strong and volume was described as fairly good as the SMI index rose 19.0 to 2,131.9. Union Bank saw heavy volume as it rose SFr9 to SFr936, SBC added SFr7 to SFr342 and CS Holding SFr30 to SFr2,150.

**STOCKHOLM** saw S-E Banken decline after announcing that it expects to see further loan losses in 1993-94. The C shares lost SKr2 to SKr12 but the rest of the market was generally firmer with the Affärsvärlden General index advancing 10.9 to 984.9 in turnover of SKr1.1bn.

Ericsson and Astra both recovered Wednesday's losses, with respective rises of SKr13 and SKr8 to SKr716 and SKr222.

**OSLO** was helped to a higher close by Kvaerner which, up SKr2.50 at SKr163, said that it expected stronger earnings in 1993. The all-share index improved 1.58 to 398.74 in turnover of NKr512.2m. Norsk Hydro, which releases 1992 results on Monday, gained NKr2.00 to NKr162.50.

**AMSTERDAM** firmed with chemical stocks and major blue chips giving good performances. The CBS Tendency index advanced 1.3 to 99.0.

## SOUTH AFRICA

**AFTER recent gains, gold shares lost momentum yesterday as investors took profits. The index retreated 41 to 1,009 while industrials put on 3 at 4,531. The overall index closed a point down at 3,482. De Beers advanced R2.75 to R70.25 while Vaal Reefs shed R6.50 to R178.50.**

ASIA PACIFIC

# Hong Kong rises 1.6% as Tokyo shows modest loss

## Tokyo

TECHNICAL trading dominated activity as most investors remained on the sidelines to observe movements on the currency and bond markets after President Bill Clinton's economic statement in the US, *writes Emiko Terazono in Tokyo.*

The Nikkei average declined 27.49 to 16,982.14, having moved between 17,156.72 in the morning session and 16,974.62 in late trading.

Volume rose to 250m shares but from Wednesday's meagre 207m, as gainers led losers by 547 to 395, with 182 issues unchanged. The Topix index of all first section stocks lost 0.15 to 1,293.12, and in London the ISE/Nikkei 50 index edged up 0.79 to 1,037.59.

Buying by public funds was countered by selling by investment trusts, while short-term traders and dealers sought large-capital steels and other theme stocks.

Mr Bill Clinton's policy announcement, presented during the lunch hour in Tokyo, had little effect on prices. Mr Yuichi Kohashi, analyst at Daiwa Securities, said: "The tax hikes had little news value for the market, and we would have to wait for the long-term impact on the foreign exchange and interest rates."

Nippon Steel, the day's most active issue, firmed Y1 to Y295 after reporting a better than expected dividend yield of some 2 per cent, against estimates of 0.9 per cent. Other large-capital issues attracting interest included Mitsubishi Heavy Industries, Y1 harder at Y507.

Nagase, a trading house specialising in chemical products, forged ahead Y32 to Y906 on the Aids theme – the company's subsidiary is currently developing an anti-Aids drug. Kanematsu, a medium-sized trading house, moved ahead Y4 to Y416 on the same theme.

High-technology shares continued to weaken on worries over the high yen and faltering demand. Hitachi dipped Y2 to Y676 and Fujitsu finished Y4 cheaper at Y525.

TDK, the tape manufacturer, declined Y50 to Y3,340 on reports that it would post a 26 per cent fall in consolidated pre-tax profits to Y9bn, sharply lower than previous estimates of Y36bn.

Housing issues were stronger on hopes of a recovery in demand. Haseko gained Y8 at Y610 and Shokusan Jutaku Sogo closed Y12 to the good at Y515. However, Daikyo, the leading condominium builder, softened Y2 to Y882 on profit-taking.

In Osaka, the OSE average improved 87.17 to 18,419.81 in volume of 79.1m shares.

## Roundup

PRESIDENT Bill Clinton's economic statement received mixed reactions from the region's markets yesterday.

**HONG KONG**, encouraged by reports that China had freed a political dissident and on optimism that UK-Sino tensions were easing, saw the Hang Seng index rise 99.48, or 1.6 per cent, to 6,186.94. Turnover was good at HK$3.7bn following Wednesday's HK$3.2bn.

Jardine Matheson, which has lagged behind the market recently, was one of the day's most active issues, climbing HK$3.50 to HK$50.50.

**MANILA** advanced some 3.5 per cent on hopes that a new oil field will provide most of the country's needs. The composite index put on 49.15 at 1,458.26 in turnover of some 255m pesos.

Investors were also encouraged by a good overnight performance in the US from Philippine Long Distance Telephone, which appreciated 25 pesos to 910 pesos.

**KUALA LUMPUR** retreated slightly in spite of an easing in interest rates. The composite index slipped 2.70 to 623.11 in turnover of M$591m.

Among the day's losers, Tenaga Nasional, the electric utility, receded 10 cents to M$8.70 with 1.73m shares traded. Telekom Malaysia dipped 20 cents to M$12. Sime Darby weakened 16 cents to M$4.60 in volume of some 1.26m shares.

**SEOUL** fell for the third straight session as hopes for measures to stimulate the economy receded. The composite index finished 11.21 lower at 653.91 in turnover of Won318.5bn.

**SINGAPORE** showed a modest improvement although there was little direction to buying. The Straits Times Industrial index ended 15.57 ahead at 1,632.13 in turnover of S$166m.

**AUSTRALIA** retained early gains and banks continued to be supported by hopes that a change in government after next month's elections would lead to mergers in the sector. The All Ordinaries index closed 6 higher at 1,607.3.

ANZ, favoured as a merger candidate, added 2 cents at A$3.40 in volume of some 3.8m shares. Among other banks, Commonwealth gained 2 cents at A$6.62 but Westpac surrendered 4 cents to A$3.23.

**BANGKOK** closed sharply lower as nervousness continued regarding First City Investment, which has been forced to defer repaying matured deposits. The SET index lost 11.81 to 961.43 in low turnover of Bt6.75bn.

**NEW ZEALAND** followed Wednesday's weakness with another setback of 9.78 in the NZSE-40 index to 1,590.93, with Telecom declining 8 cents to NZ$2.67.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY FEBRUARY 17 1993 | | | | | | | | TUESDAY FEBRUARY 16 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1992/93 High | 1992/93 Low | Year ago (approx) |
| Australia (68) | 128.79 | −0.5 | 132.23 | 97.21 | 109.01 | 124.68 | −0.8 | 3.88 | 129.43 | 132.58 | 97.89 | 109.78 | 125.42 | 153.68 | 108.16 | 145.94 |
| Austria (18) | 145.28 | −0.1 | 149.17 | 109.66 | 122.97 | 122.58 | −1.2 | 1.83 | 145.37 | 148.89 | 109.95 | 123.30 | 124.06 | 186.70 | 131.16 | 181.18 |
| Belgium (42) | 140.99 | +0.3 | 144.76 | 106.40 | 119.33 | 116.65 | −0.4 | 5.18 | 140.51 | 143.92 | 106.27 | 119.18 | 117.12 | 152.27 | 131.19 | 137.99 |
| Canada (113) | 118.05 | −0.2 | 121.20 | 89.09 | 99.91 | 107.75 | +0.2 | 3.06 | 118.23 | 121.10 | 89.42 | 100.28 | 107.57 | 142.12 | 111.36 | 134.43 |
| Denmark (33) | 204.94 | −1.1 | 210.41 | 154.68 | 173.46 | 174.07 | −1.3 | 1.57 | 207.22 | 212.24 | 156.73 | 175.77 | 176.43 | 273.94 | 181.70 | 248.29 |
| Finland (23) | 68.90 | −0.4 | 70.74 | 52.01 | 58.32 | 84.38 | −0.9 | 1.71 | 69.21 | 70.88 | 52.34 | 58.70 | 85.11 | 89.80 | 52.84 | 86.61 |
| France (98) | 152.75 | +1.4 | 156.84 | 115.28 | 129.28 | 132.21 | +1.2 | 3.39 | 150.68 | 154.33 | 113.95 | 127.79 | 130.64 | 168.75 | 138.93 | 150.22 |
| Germany (62) | 111.66 | −0.3 | 114.64 | 84.28 | 94.50 | 94.50 | −0.6 | 2.42 | 112.04 | 114.76 | 84.75 | 95.03 | 95.03 | 129.69 | 101.59 | 116.52 |
| Hong Kong (55) | 244.63 | +0.7 | 251.17 | 184.63 | 207.06 | 242.82 | +0.7 | 3.72 | 242.92 | 248.81 | 183.72 | 206.06 | 241.19 | 282.28 | 176.36 | 198.08 |
| Ireland (16) | 129.91 | −0.9 | 133.38 | 98.05 | 109.96 | 122.32 | −1.1 | 4.34 | 131.10 | 134.27 | 99.15 | 111.20 | 123.72 | 173.71 | 122.98 | 163.40 |
| Italy (76) | 59.53 | −0.9 | 61.12 | 44.93 | 50.38 | 68.80 | −0.5 | 3.02 | 60.10 | 61.55 | 45.45 | 50.97 | 69.12 | 80.86 | 47.47 | 74.25 |
| Japan (472) | 108.69 | +0.4 | 111.59 | 82.03 | 92.00 | 82.03 | +0.1 | 1.01 | 108.31 | 110.93 | 81.91 | 91.88 | 81.91 | 140.95 | 87.27 | 116.27 |
| Malaysia (69) | 268.11 | −1.0 | 275.28 | 202.35 | 226.92 | 271.26 | −1.2 | 2.47 | 270.90 | 277.47 | 204.88 | 229.77 | 274.55 | 282.42 | 212.49 | 249.36 |
| Mexico (18) | 1509.23 | −2.1 | 1549.56 | 1139.08 | 1277.40 | 5118.84 | −1.9 | 1.17 | 1540.95 | 1578.30 | 1165.46 | 1307.05 | 5216.95 | 1789.77 | 1185.84 | 1670.61 |
| Netherland (25) | 157.11 | +0.3 | 161.31 | 118.58 | 132.98 | 131.37 | +0.0 | 4.33 | 156.67 | 160.47 | 118.50 | 132.90 | 131.36 | 169.70 | 147.88 | 149.05 |
| New Zealand (13) | 45.38 | −1.6 | 46.59 | 34.25 | 38.41 | 46.68 | −1.8 | 4.68 | 46.19 | 47.31 | 34.93 | 39.18 | 47.55 | 48.52 | 37.39 | 45.24 |
| Norway (22) | 140.88 | −1.4 | 144.64 | 106.33 | 119.24 | 132.32 | −2.0 | 1.89 | 142.92 | 146.39 | 108.10 | 121.23 | 134.97 | 192.95 | 128.05 | 164.33 |
| Singapore (38) | 218.80 | −0.4 | 224.65 | 165.14 | 185.19 | 165.56 | −0.6 | 1.99 | 219.77 | 225.09 | 166.22 | 186.41 | 166.90 | 229.63 | 179.65 | 220.00 |
| South Africa (60) | 165.64 | −1.8 | 170.07 | 125.01 | 140.19 | 167.99 | −0.6 | 3.01 | 168.60 | 172.69 | 127.51 | 143.01 | 168.96 | 263.60 | 134.21 | 232.37 |
| Spain (47) | 125.47 | −1.2 | 128.82 | 94.70 | 106.19 | 111.54 | −0.7 | 5.45 | 126.94 | 130.02 | 96.01 | 107.67 | 112.32 | 161.72 | 107.10 | 155.80 |
| Sweden (36) | 161.82 | −1.2 | 166.15 | 122.14 | 136.97 | 178.41 | −1.1 | 2.23 | 163.75 | 167.71 | 123.85 | 138.89 | 180.41 | 200.28 | 149.69 | 173.28 |
| Switzerland (56) | 112.32 | −0.8 | 115.32 | 84.78 | 95.08 | 104.80 | −0.9 | 2.04 | 113.18 | 115.92 | 85.60 | 96.01 | 105.70 | 122.37 | 95.99 | 97.71 |
| United Kingdom (226) | 164.00 | −0.2 | 168.39 | 123.77 | 138.80 | 168.39 | +0.1 | 4.36 | 164.28 | 168.26 | 124.24 | 139.33 | 168.26 | 200.07 | 161.86 | 177.28 |
| USA (522) | 176.88 | −0.2 | 181.60 | 133.50 | 149.71 | 176.88 | −0.2 | 2.85 | 177.22 | 181.51 | 134.04 | 150.32 | 177.22 | 183.74 | 160.92 | 186.56 |
| Europe (780) | 136.62 | −0.1 | 140.27 | 103.12 | 115.64 | 129.00 | −0.1 | 3.63 | 136.79 | 140.10 | 103.46 | 116.03 | 129.13 | 156.88 | 131.31 | 143.74 |
| Nordic (114) | 149.76 | −1.1 | 153.76 | 113.03 | 126.76 | 145.85 | −1.2 | 2.00 | 151.45 | 155.12 | 114.54 | 128.46 | 147.62 | 188.52 | 141.24 | 173.34 |
| Pacific Basin (715) | 113.87 | +0.3 | 116.91 | 85.95 | 96.38 | 88.27 | +0.1 | 1.35 | 113.55 | 116.30 | 85.88 | 96.31 | 88.19 | 141.97 | 93.70 | 119.95 |
| Euro - Pacific (1495) | 123.06 | +0.1 | 126.35 | 92.87 | 104.15 | 104.45 | +0.0 | 2.38 | 122.94 | 125.92 | 92.97 | 104.27 | 104.45 | 145.21 | 113.80 | 129.73 |
| North America (635) | 173.22 | −0.2 | 177.85 | 130.75 | 146.64 | 172.19 | −0.2 | 2.86 | 173.55 | 177.76 | 131.28 | 147.23 | 172.49 | 179.56 | 158.70 | 164.52 |
| Europe Ex. UK (554) | 119.32 | −0.1 | 122.51 | 90.08 | 101.02 | 107.08 | −0.2 | 3.13 | 119.43 | 122.32 | 90.34 | 101.32 | 107.31 | 132.98 | 111.33 | 123.35 |
| Pacific Ex. Japan (243) | 164.75 | −0.1 | 169.15 | 124.36 | 139.45 | 152.70 | −0.2 | 3.49 | 164.98 | 168.98 | 124.80 | 139.95 | 153.07 | 175.31 | 146.06 | 156.32 |
| World Ex. US (1686) | 124.20 | +0.0 | 127.52 | 93.75 | 105.13 | 106.49 | +0.0 | 2.40 | 124.15 | 127.16 | 93.90 | 105.31 | 106.50 | 146.91 | 115.99 | 132.01 |
| World Ex. UK (1982) | 138.80 | +0.0 | 142.51 | 104.77 | 117.49 | 124.18 | −0.1 | 2.39 | 138.86 | 142.23 | 105.03 | 117.80 | 124.31 | 150.58 | 127.21 | 139.38 |
| World Ex. So. Af. (2148) | 140.94 | +0.0 | 144.71 | 106.38 | 119.30 | 127.70 | −0.1 | 2.58 | 141.00 | 144.41 | 106.65 | 119.61 | 127.81 | 153.05 | 130.04 | 142.10 |
| World Ex. Japan (1736) | 159.43 | −0.2 | 163.69 | 120.34 | 134.96 | 154.95 | −0.2 | 3.14 | 159.75 | 163.62 | 120.83 | 135.52 | 155.21 | 165.40 | 151.93 | 157.94 |
| The World Index (2208) | 141.01 | −0.1 | 144.78 | 106.43 | 119.36 | 128.07 | −0.1 | 2.59 | 141.09 | 144.51 | 106.71 | 119.68 | 128.19 | 153.70 | 130.66 | 142.67 |



Constituent change with effect 19/1/93: Deletion: Finanziaria Ernesto Breda (Italy). Latest prices were unavailable for this edition.

FINANCIAL TIMES SURVEY

Raymond Barre wants Lyon to be the home of the proposed EC central bank: **Page three**

# RHONE-ALPES

Beaujolais prices now stand well below some growers' production costs: **Page four**

SECTION IV

Friday February 19 1993

Rhône-Alpes has the largest economy and population outside Ile de France. The region now runs its own local affairs – and looks likely to influence the shape of national government after the March elections. **William Dawkins** reports

## Resilient stronghold

IF FRANCE'S opposition right wing wins next month's parliamentary election, which is likely, Rhône-Alpes will be one of the main victors.

The economically biggest and most populous French region outside Paris is a traditional conservative power base. So it will probably be the most important provincial influence on French national politics during the next government.

Over the past few years it has provided firm ground on which half a dozen ambitious young opposition politicians have built political bases, some hotly tipped to take ministerial jobs in the new government. This can only increase Rhône-Alpes' already weighty influence in the Paris bureaucracy, a valuable asset in a country where much economic power remains concentrated in the capital, despite the decentralisation of the past decade.

Local political heavyweights tipped for a national cabinet seat in the spring include Mr Charles Millon, chairman of the regional council and national parliamentary whip for the centre right UDF party; Mr Bernard Bosson, centrist CDS mayor of Annecy; Mr Michel Barnier, the RPR Gaullist president of the Savoie general council and organiser of last year's winter Olympics, and Mr Alain Carignon, the RPR mayor of Grenoble. Mr Bosson and Mr Carignon had ministerial jobs in the 1986-1988 conservative government.

Rising above the fray is the distinguished head of Mr Raymond Barre, former prime minister of France and a centrist member of parliament for the Rhône, who is spoken of as a possible (though outside) runner for the Matignon again.

The young reformers have become candidates for ministerial jobs because they have used decentralisation (which has mainly increased the power of town mayors by granting them authority to give or withhold planning permission) to shape the region and demonstrate their skills in the art of government.

"At national level, the political class is being devalued in public opinion. But good mayors are still respected, except those who have made mistakes," explains Mr Jean Régis, one of Mr Bosson's colleagues on Annecy town council.

Of course, local politics in Rhône-Alpes is not an automatic track to stardom. Take Mr Michel Noir, the dynamic mayor of Lyon, the regional capital which is the economic and political lynchpin of Rhône-Alpes. Only a few years ago he looked ready for great things – perhaps as a rival to Mr Jacques Chirac for leadership of the RPR.

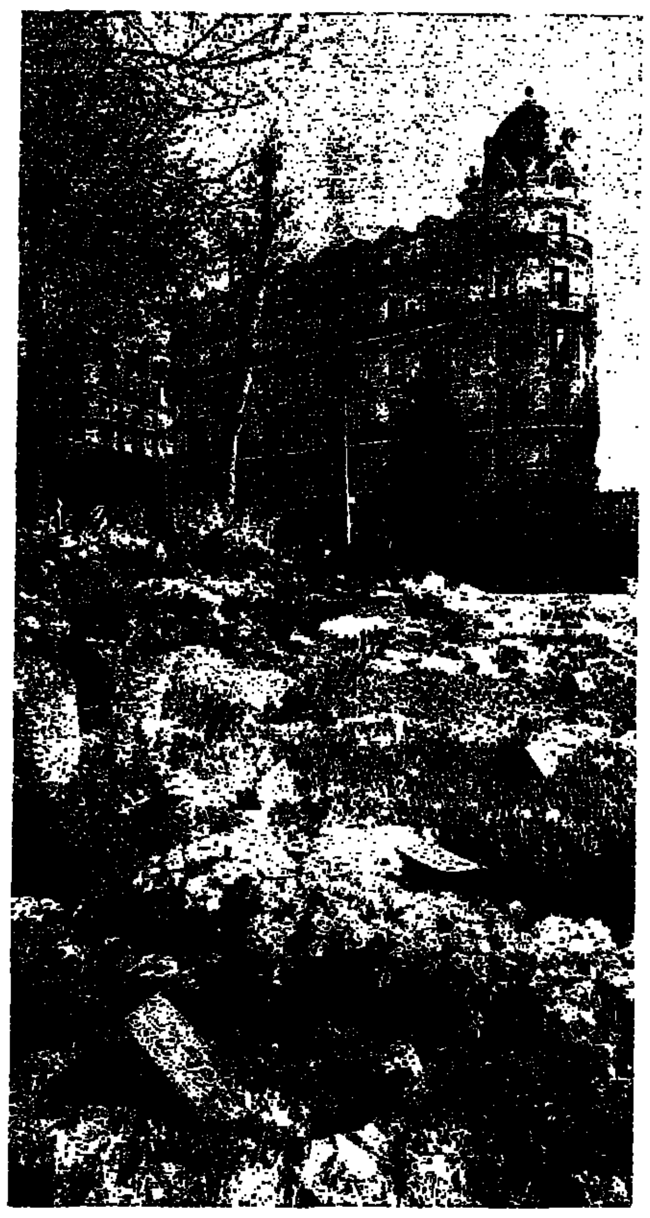
Mr Noir remains respected for the amount of investment he has marshalled to update Lyon's crowded roads and to beautify further this ancient city. Yet, his ambitions have taken a knock with his misjudged decision, in 1990, to give up his RPR parliamentary seat in disgust at internal bickering among the leadership, hoping to form a right wing union of young reformist-minded people like himself. In the event, only two other MPs followed his example and the idea has quietly sunk.

Mr Noir's national image took another battering when his son-in-law and former election campaign manager, Mr Pierre Botton, was jailed last November for alleged misuse of public funds. The latest twist to Lyon's city politics came last month when the RPR placed Mr Alain Mérieux, one of its rising stars in the region, as parliamentary candidate in the same constituency as Mr Noir – re-elected since as an independent.

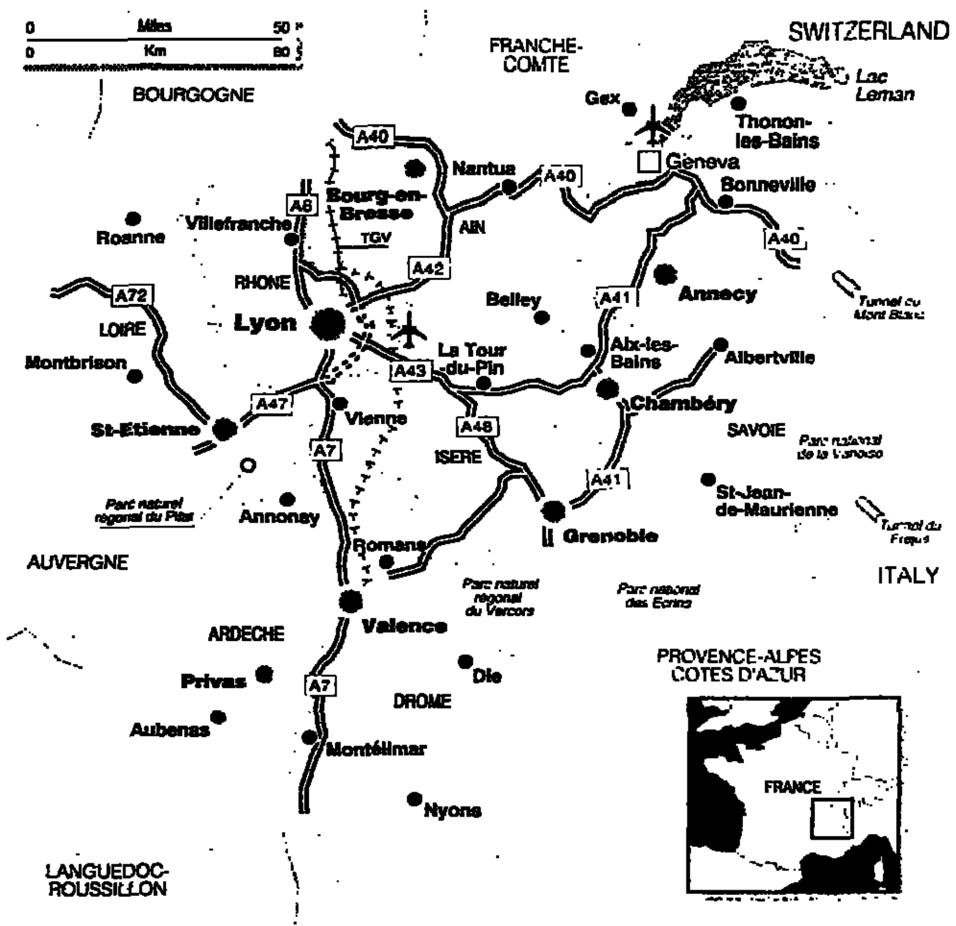
The RPR's choice of Mr Mérieux was significant. He is a vice president of the regional council, an important businessman (he is head of the Institut Mérieux pharmaceuticals group) and a member of the old bourgeoisie which runs Lyon behind the scenes. "The Parisians have decided against the will of the Lyonnais to organise the division of the national opposition," complained an angry Mr Noir.

Rhône-Alpes' political importance is also a reflection of the size and vitality of its economy – dimmed by the economic downturn. "For a while we were sheltered from economic difficulties because of the strength of our economy. But when the crisis did finally hit, it hit us harder than other regions," says Mr Yves Minssieux, regional director of Lyonnaise de Banque.

Of course, damage from the recession has been as unevenly spread as might be expected from a region as big as Rhône-Alpes. Its 5.8m inhabitants represent just under a tenth of the French population; it covers 8 per cent of the nation's land mass and produces a tenth of France's gross domestic product. It is geographically diverse, from the high snowfields of the French Alps to the fertile wine-producing hills around the Rhône and the arid scrub of the Drôme.



Lyon, the regional capital: "economic and political lynchpin"




Economically Rhône-Alpes presents no less striking contrasts; traditional chemicals, engineering and automotive industries around Lyon, which have been hardest hit in the slowdown; light industries around the old coal steel and textile town of St Etienne, which appear more confident than businesses around the regional capital; and a thriving community of high technology companies around the town of Grenoble.

Some economic commentators liken Rhône-Alpes to a small country such as Switzerland or Belgium. A more exact comparison could be made with other important European regions such as Piedmont in northern Italy, Hesse in Germany or Catalonia in northern Spain. Rhône-Alpes has intimate political and business links with all three – and this highlights another of its important qualities: the pro-European Community consensus among the regional leadership.

It is no accident that, when the rest of France hesitated over the prospect of European political and monetary union, Rhône-Alpes produced nearly 55 per cent in yes-votes in last September's referendum.

The region is a pro-European island on the map of French referendum results, surrounded by no-votes from Provence-Alpes-Côte d'Azur in the south, Auvergne to the west and Burgundy to the north. To complete the picture, Switzerland is on its north-eastern frontier. Some local planners expect last year's Swiss vote against closer European integration to trigger a migration of Swiss-based companies into the Haute Savoie.

Lyon has played on its European credentials, as well as on its high quality of life, to support its campaign (led by the tireless and persuasive Mr Barre) to become the headquarters of the European central bank. The uncertainties facing European monetary union have not diminished the city's determination. "If we didn't believe in the Euro-bank, we would not make the effort."

That resilience translates into an ability to continue attracting prestige foreign investments to the region at a time when the international recession has caused overall foreign investment in France to decline. Last year Rhône-Alpes overtook Ile de France for the first time in terms of the number of jobs created by foreign investors – although it still lagged behind heavily subsidised Lorraine, in north-eastern France. It has a slightly higher economic growth than the French average and, according to a recent study by the Economist Intelligence Unit, it will grow 20 per cent faster than France as a whole over the five years to 1995.

Rhône-Alpes' high profile newcomers include Rank Xerox's new European research laboratory in Grenoble, and Euronews, the new satellite news channel. A satisfied Mr Maury claims: "If they come here, it's not because of aid, because we don't offer very much. It's because we are attractive."

David Buchan assesses the region's industrial prospects

# Slow-down takes effect

ECONOMIC slowdown generally comes late to the Rhône-Alpes, because the region has so many successful industrial firms, with diversified products and markets.

But come it has, says Mr Etienne Subra, regional director of the Banque de France. Unemployment rose by 10 per cent during 1992. Mr Subra dates the downturn to last May-June, after domestic demand began to fall but before defence of the franc pushed real interest rates still higher. Again, the fall-off in export orders from Germany, Italy, the UK and Spain began before the currencies of the latter three countries depreciated against the franc in September.

The depressing effect on the region's industry has been widespread, though Mr Subra reports that the food, glass-making, pharmacy and some parts of the textile sectors held up well through 1992, and says the improvement in the US economy is leading to more orders for the region's chemicals, capital equipment and aeronautic exports.

The one real black spot, as elsewhere, is the property market. This is "very bad," says Mr Subra; Lyon now harbours 18 months' worth of unsold or unlet office space and 2 years' worth of residential real estate.

Part of the rise in the region's unemployed (threatening, for the first time, qualified middle management on permanent payrolls), is attributable to company managers' fast reaction. "It is not that the bosses are turning to redundancies as a first resort when orders start to fall," says Mr Subra. "It is just that they are much quicker to run through the whole gamut of austerity measures – reining in general costs, cutting down on stocks and inventories and, lastly, making redundancies – than they used to be".

The financial as distinct from the human consequences of this more active management style is the greater soundness of Rhône-Alpes companies; by the end of 1991 they had reduced their total debt to the level of their own funds and equity.

Over the longer term Rhône-Alpes can count on the natural advantages of its central location to attract investment, domestic and foreign. Mr Jean Chemain, director of the Lyon chamber of commerce, believes that Switzerland's obtuse rejection in December of the European Economic Area (EEA) treaty can only benefit Rhône-Alpes, as Swiss companies move investment westward to give themselves a base within the EC single market.

Mr Phillipe Brossette, marketing director of Renault VI, the car group's truck-making arm, lists Lyon's advantages, which include good road and rail (TGV) links and direct flights to most European capitals (four times daily to London).

These are just the sort of geographical merits which have made Mr Michel Coste, head of Lyon's Institute for the Ecu, a persistent champion of the city for the suggested European central bank. Mr Coste notes with delight that, against an EC majority preference for locating it in Bonn, the UK presidency touted Lyon at the EC summit at Edinburgh.

But it is history, rather than geography, which has attracted to the region the two biggest employers: Renault VI and Rhône-Poulenc.

Renault VI was formed out of the 1978 merger between Renault's (smaller) truck subsidiary Saviem and the (larger) independent Berliet company. The merged company made its headquarters round the Berliet operation in Lyon; far more extensive than Saviem's assets, and bringing with it 600 hectares of prime industrial land in the adjacent Lyon suburbs of St Priest and Vénissieux. (Renault still grows maize on some of this land – until such time as its factories expand further.)

Lyon is also the home of many of Renault's best clients, such as the trucking firm of Mr Norbert Dentresangle who, since he made his start taking apples to the UK, has built up a fleet of 2,400 vehicles.

Today Renault VI – part-owned by Volvo – is third in Europe and the world. In 1991 it churned out 58,638 trucks in Europe and, through its wholly-owned Mack subsidiary, 13,229 in the US.

For several years Renault VI's European market was better than the US one (the two almost cancelled each other out in the 1991 after-tax profits, which showed a FFrs 23m profit). Now the new world is being asked to redress imbalance in the old world. "But the problem is that the European market is getting worse – truck output in France falling from 52,000 in 1990 to 35,000 last year – faster than the US market is getting better."

Renault VI is now demanding of its suppliers something of the same specialisation it has forced on itself. Just as each Renault factory in the Rhône Alpes region focuses on a single activity – truck assembly (above 18 tonnes) at Bourg-en-Bresse, gearboxes in St Etienne Bouthéon, motors at St Priest/Vénissieux, bus assembly at Annonay – so it is asking its suppliers to concentrate more on its needs.

Its aim is to reduce by two thirds its existing 1,500 subcontractors, which range from Bosh in Germany, to Lucas-Girling disk brakes in the UK to a host of smaller suppliers in the Rhône-Alpes region.

Part of this reduction is to have a closer, Japanese-style partnership with a larger and more capable brand of subcontractor. By contrast, Rhône-Poulenc, the region's top employer, has scattered 16,500 local employees across Rhône-Alpes in 16 factories, 14 technical and commercial centres and six research units.

Chemicals have become something of a Rhône-Alpes speciality, with Elf-Acquitaine, Atocem, Lafarge Coppe, Roussel-Uclaf and ICI all attracted by abundant water, energy and opportunity to trade basic chemicals among each other.

Inevitably, Rhône-Poulenc has come under local pressure to clean up its local act. "We don't deny the necessity of doing this," says Mr Xavier Patrouillard, the chemical group's Rhône-Alpes co-ordinator, "but we do sometimes contest the deadlines by which we are forced to make urgent investments at very high prices, leaving less money for other projects. The Rhône may be cleaner, but there is perhaps more unemployment."

He concedes that Rhône Poulenc has an image to redress. "Twenty years ago, if you worked for Rhône Poulenc, people thought that was fantastic. No longer." But Mr Patrouillard believes the times may be changing. One reason for this is the economic climate, creating greater awareness of the opportunity costs of channelling very large amounts of money into the environment. Another reason is that the Lyonnais now know "that their city pollutes the Rhône more than we do".

### KEY FACTS

| | |
|---|---|
| **POPULATION (thousands)** | |
| Lyon | 1,262.2 |
| Grenoble | 404.7 |
| Saint Etienne | 313.3 |
| **EMPLOYMENT (regional percentage)** | |
| Lyon | 27.8 |
| Grenoble | 8.9 |
| Saint Etienne | 5.8 |
| **LEADING INDUSTRIES (number of employees)** | |
| Renault V I Vénissieux | 5,300 |
| SNR roulements | 3,000 |
| GIAT Industries Roanne (armaments) | 2,500 |
| Sextant avionique | 2,200 |
| Rhône-Poulenc | 2,000 |
| Renault V I Annonay | 1,800 |
| Télal | 1,800 |
| Caterpillar France | 1,700 |
| Rhône-Poulenc Roussillon | 1,600 |
| Hewlett Packard France | 1,500 |
| CIAPEM (domestic equipment) | 1,400 |
| GIAT Industries Saint Etienne | 1,400 |
| COGEMA (nuclear materials) | 1,300 |

Source: INSEE.

## St Etienne expects to ride out hard times

# Self help shines out

FROM THE air St Etienne looks like one big industrial site. The stephanois ("Etienne" is French for "Stephen") are proud of that: even their vaunted museum of modern art has been deliberately made to look like a factory.

All those shining new pieces you see on St Etienne's industrial checkerboard are not what the first-time visitor expects to see. In the 1960s-1980s St Etienne was synonymous with industrial decline. It is still the object of eye-rolling, cosmopolitan derision from the nearby citizens of Lyon. Yet most stephanois seem much more confident than the Lyonnais about their city's ability to weather today's economic hard times.

Mr Bruno Roux, the city's economic development director, says this relative buoyancy stems from "the feeling that as we have suffered a good half dozen crises since the 1960s and come through, we will do so again".

St Etienne lost 30,000 jobs when the mines closed, 25,000 jobs when the steel mills shut down, and 15,000 when its mainstream textile sector declined. Overall, the city lost some 80,000 traditional manufacturing jobs.

But it has replaced all but about 20,000 of these by means of a very active industrial policy which has successfully encouraged a larger number of smaller companies to diversify. At 11 per cent, the city's unemployment rate is over France's 10.4 per cent national average, but the gap is tiny compared to the five point spread that existed in the mid-1980s.

Although nearly one in every three employed stephanois works in industry, the city feels better able to ride out the present austerity. "We do not even really have a property crisis like other cities do in the office sector, because we don't have offices," Mr François Dubanchet, the bulky Christian Democrat mayor, says with almost blue-collar pride.

But the city's drive to re-industrialise itself has been an expensive gamble.

It has spent FFrs 1.5bn, with only about a third coming in national/EC aid from Paris and Brussels. Because French cities are forbidden (probably rightly) to subsidise companies directly, St Etienne has worked mainly through real estate. Much of its FFrs 2.8bn debt comes from reconverting old industrial properties, and selling or renting them cheaply to new companies wanting to invest or existing ones wanting to expand, sometimes even before having any idea of who might occupy the new buildings. On its "Technopole" site, it has also made available low-rent offices for up to two years to companies just starting up.

The mayor and his officials are convinced that their gamble has paid off. Mr Dubanchet says St Etienne's financial problems have more to do with some 500 functionaries unnecessarily hired by his communist predecessor. He adds that recipients of municipal aid (which can include temporary exemption from the *taxe professionelle* payroll tax) are now selected with greater care. But he says that only 2-3 per cent of the 400 companies which have received public aid have, in one way or another, failed.

**The last two years have seen a small flood of new Italian investment.**

One windfall has come from the south. Some Italian companies, such as Ratti, which prints on silk, have long been present in the city. But the last two years have seen a small flood of new Italian investment. This includes Siccma, which makes office partitions and cupboards, Molemab, which makes abrasives, and Viero, which manufactures silk weaving machines. These investments account for one third of all Italian industrial investment in France during this period (excluding Mafia investment in the Côte d'Azur).

Most of the reasons given for moving north arise more from frustration at home than the lure of St Etienne itself, says Mr Roux. Such frustrations include higher wage and electricity costs in northern Italy, environmental constraints on building new plants in crowded Lombardy and Piedmont, and complaints about tax money disappearing into the Mezzogiorno maw. But no one in St Etienne is complaining about this new Italian emigration.

St Etienne is also trying to give its annual commercial fair more of an international flavour, says Mr André Locquet, its director (who also heads GST Alcatel, an exporter of telecommunications equipment from St Etienne to, for example, Prague). Besides inviting twinned cities such as Coventry in the UK or Hupperthal in Germany to participate, the fair organisers now plan regular exhibitions from neighbouring European countries, to dilute what is otherwise a purely national, not to say, regional event each September.

Most of St Etienne's diversification is home-grown. Some traditional activities have returned; Houlès has moved all its ribbon-making and embroidery business back from Paris. And gun-making continues – though on a more artisan scale than bankrupt Manufrance, whose Fauriel site is now being redeveloped into a multi-purpose civic centre.

But luring top class management from Paris to St Etienne is a problem for a company such as Casino, France's second biggest retailer, with a FFrs 60bn turnover. It has outgrown its stephanois origins.

Mr Antoine Guichard, grandson of its founder, the current president, makes no bones about the impossibility of running from St Etienne an international company with holdings in the US and a growing alliance with Argyll in the UK and Ahold in Holland. "All board meetings take place in Paris, and we have to run two corporate jets, which cost a lot." What about the TGV train? "Only taken it once, when there was an air controllers' strike," Mr Guichard replies dismissively.

Casino's boss is far from being St Etienne's Citizen Kane, but there is a certain imbalance of power between the company and the city. Casino is chief sponsor of St Etienne's art museum, theatre, and football team (whose "Geoffroy Guichard" stadium will host one of the 1998 World Cup games). But only 2,000 of Casino's 58,000 employees work in St. Etienne. One false move – perhaps one tax increase too many – could prompt the giant retailer to shift its headquarters elsewhere.

**D.B.**



## William Dawkins takes a close look at three important industries in the region

SGS-Thomson's futuristic semiconductor plant near Grenoble

# Risky flagship

A FUTURISTIC blue steel and glass building, glittering at the foot of the snow-capped peaks that ring the Grésivaudan valley near Grenoble, is the latest site for the flagship of the French and Italian semiconductor industries.

SGS-Thomson, the microchip maker jointly owned by French and Italian state interests, will start production in the spring. Its $700m plant is one of the world's most modern semiconductor facilities and one of the most important high technology projects the Rhône-Alpes region has ever hosted. As a consumer of power and services it will have a significant impact on the local economy.

It was Grenoble city hall's fierce lobbying which contributed, first, to the merger of France's and Italy's state-owned computer groups in 1987, and then to the merged company's decision to choose a flagship site near Grenoble – rather than the group's Italian headquarters near Milan.

The plant, near the village of Crolles, costs $100,000 a day to run. "With overheads like that, we cannot afford to run idle, so the existence of potential equipment suppliers in the region has been important to us," explains Mike Thompson, director of the centre.

Some suppliers have set up in Grenoble, or expanded there specifically to sell to SGS-Thomson – such as Lam Research and Applied Materials, two US semiconductor equipment suppliers, and Metron, a UK distributor of semiconductor equipment; examples of how existing high technology projects have acted as a magnet to new investment.

SGS-Thomson itself is not a significant employer: 184 staff are expected to be in post by the end of this year. Fifty more will come from France Télécom, whose research division contributed half the $200m start-up cost, and a further 30 from Philips, the Dutch electronics group which is a research partner of SGS-Thomson.

However, SGS-Thomson's presence is expected to attract other international technology projects – which is why the local economic development body, Alpes-Grésivaudan Développement, has kept a neighbouring industrial site empty, says Marie-Claude Dupuy, the organisation's secretary general.

Grenoble has all the more reason to thank its lucky stars that this prestige project has come off: until recently SGS-Thomson's very future was uncertain; Grenoble could have ended up with a white elephant rather than an electronic flagship on its doorstep.

SGS-Thomson was $102m in the red in 1991, the latest in a string of heavy losses caused by the huge investment demands needed to keep pace with technology at a time of intense price competition from the US and Japan.

The Italian government, in the face of French persuasion, hesitated for many months over pumping badly needed fresh capital into the group. Late last year it changed its mind, paving the way for a $1bn capital increase from both governments. The first $500m is expected to be disbursed in the next few months.

The Italian administration was probably encouraged by evidence of recovery in SGS-Thomson's fortunes. The group managed a $8m profit increase last year (on sales up 12 per cent – well ahead of the 9 per cent growth in its markets) to $1.6bn, officials say.

It is too early to say whether SGS-Thomson has completely turned the corner in its high-risk industry, but the white suited technicians padding around the Crolles clean rooms assume they are there to stay. Even Mr Thompson, a Scot who used to work at Inmos, the Scottish semiconductor maker taken over by SGS-Thomson, has started to learn French.

# Sponsorship thinks big

EUROPOLE, Grenoble's biggest property development since the town hosted the 1968 winter Olympics, is an example of how it has used decentralisation to seize the initiative in its own affairs.

Mr Alain Carignon, Grenoble's young Gaullist mayor, launched the project four years ago, making use of the new planning permission powers granted to town councils – powers which were previously the domain of central government. At the time, the Europole site was a wasteland of redundant industrial buildings and railway goods yards; a blight at the heart of one of France's fastest growing towns.

Today the site boasts a business school, a hotel and more than 25,000 square metres of prime office space. Next month will see the opening of another hotel, to be followed by a conference and exhibition centre grouped round the Place Robert Schuman – aptly named, after a founding father of the European Community.

Europole is typical of the many hundreds of prestige property development sponsored by town councils across France in the wake of decentralisation. However, unlike some of the others, it has not brought its city sponsor to near-bankruptcy.

Grenoble has carefully limited its part in the project, set up as a city hall majority-controlled joint venture with French banks and construction companies.

City funds have put up FFr340m for the cost of acquiring land from the SNCF railway board and providing the supporting infrastructure. It has been up to the private sector partners to pay for the construction – and find tenants.

Despite the property market crisis, Europole has found tenants for 90 per cent of the space so far completed in the scheme. This is well above the average occupancy rate for office property in Grenoble, says Mr Christian Abel, who is the deputy managing director for the Europole project.

The decline in demand for property, however, has brought one potential cloud to Europole's horizon. No firm tenants have yet been found for a 13,000 square metre office block, part of the project which is due for completion in September of this year. "For the moment, Europole has escaped the property crisis. But we are worried because our potential clients are worried," admits Mr Abel.

# Snowball rolls on

RANK XEROX has just announced that it has chosen Grenoble for its European research centre, to open in the second half of this year.

"It has all the elements we are looking for, with its university, research centres, computer industry and small dynamic companies," says Mr Hervé Gallaire, the group's European research director.

Mr Dominique Strauss-Kahn, the French industry minister, greeted the move as an example of "the snowball effect" which has been created by the presence of Grenoble's multitude of laboratories and research bodies.

Rank Xerox plans to employ 150 researchers on an annual budget of Ecu15m by the time the centre is up to full steam, towards 1996. Grenoble won the Rank Xerox investment in competition against rival offers from Italy, Spain, and Germany – and southern France, from the Sophia Antipolis high tech business park near Nice.

The French government and local authorities will cover about 10 per cent of the initial investment during the first two years, in line with aid available from the rival sites. However, the deciding factor was Grenoble's pool of skilled research workers – including the fact that it produces 20 per cent of all French PhD students in information technology.

The centre will study automatic translation and assisted translation of computer documents. The aim is to design products to reduce the 8 per cent of total spending that the average company spends on creating and handling documents, says Mr Gallaire.

The group also hopes to pass development contracts to some high technology companies grouped around Grenoble.

Lyon is an important banking centre, writes **William Dawkins**

# Profits under pressure

PARIS BANKS are feeling the squeeze in Rhône-Alpes as the economic slowdown takes full effect in what is one of France's most competitive regional banking industries.

"Until the end of 1991, we and many of our business customers thought Rhône-Alpes would escape the crisis," says Mr Philippe Barrière, director of Banque Nationale de Paris' network in Rhône-Alpes, Bourgogne and Auvergne.

"Companies continued to invest and seek external growth and we contributed to this by lending to them. Now they are left with overcapacity. We were hit later than the rest of France, but we were hit hard. The more economic vitality you have the harder you are hit," he says.

Growth in both lending and deposits has slowed. Loans outstanding by French banks in the region grew by a mere 0.7 per cent to FFr303bn in the year to last September – a small fraction of the 14 per cent growth achieved in 1990, a year before the slowdown hit. The Banque de France says that the total of deposits at the region's banks rose a mere 2 per cent to FFr310bn in the 12 months to September 1992.

Like their Parisian counterparts, Lyon's banks are also burdened by troubled loans on city property. They made made heavy (but unpublished) provisions on these, says Mr Bernard Rivier, deputy director general of the Banque de France's Lyon office. Demand for office property in Lyon fell by 25 per cent last year, while prices have fallen by up to 20 per cent for old buildings, 10 per cent for new ones, according to a recent study by Bourdais, the property consultants. "All the banks have property investments. They have seen some difficulties, but they have been largely provisioned for," says Mr Rivier.

**Intensity of competition is a boon for private and business customers.**

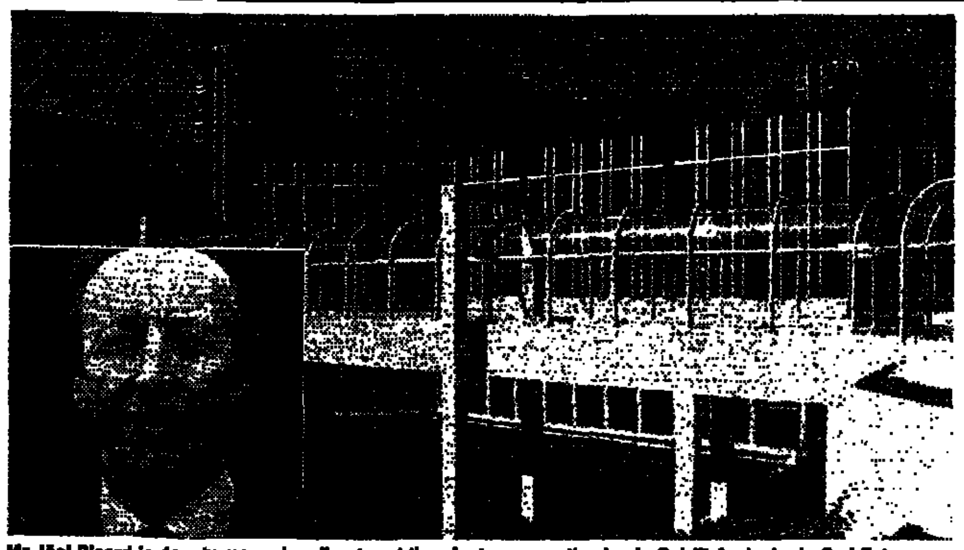
So it is no surprise that profit margins across the region's banking industry have been under intense pressure.

Most of the leading players can stand the strain because they are owned by powerful national banks. But at least one independent operator has hit trouble. Only last month the Lyon-based development capital group, Société de Développment Régionale du Sud-Est, had to be taken over by Crédit Lyonnais – the state-owned bank which owned 19 per cent of its shares – because of heavy operating losses and bad debts.

Historically, Lyon's claim to be the region's banking capital dates from the 15th century, when Italian financiers set up shop there after escaping from the Guelph-Ghibeline civil wars of that time. Some are still there – indeed the Italian banking community is growing fast. Today the city hosts most of the 69 banks present in Rhône-Alpes, of which 23 are foreign, including eight Italians.

While the intensity of competition makes bank managers' lives uncomfortable, it is a boon for both private and business customers. This explains why the region has more bank branches per head than the national average, and why Lyon has six market dealing rooms and the best developed supply of venture capital available outside Paris.

Business loans in Lyon can even be cheaper than would be available in Paris, according to several local bankers. "Because of the very fierce competition, our spreads can be lower in some cases than in Paris," says Mr Yves Minssieux, regional director of Lyonnaise de Banque, France's largest regional bank, which is indirectly owned by the GAN state-owned insurance group. Indeed, the sophistication of Lyon's banking industry is one of the reasons why the city feels confident in its bid to be headquarters of the European central bank.



Mr Joël Picard is deputy managing director at the giant co-operative bank, Crédit Agricole du Sud-Est, whose network of 251 branches has caused complaints that it has unfair access to cheap funds

As in Paris, the main banks are the three big national clearers: Crédit Lyonnais, Banque Nationale de Paris and Société Générale. Beneath them come half a dozen regional banks owned by national ones, of which Lyonnaise de Banque is the leading example.

At the next level comes Crédit Agricole du Sud-Est (Case), the giant co-operative bank which has taken market share from conventional banks since being given the right to lend to industrial customers (rather than only to farmers) five years ago. Conventional banks complain that Case's huge network – 251 branches in 10 *départements* – gives it an unfair advantage in access to cheap funds. Case argues that it is competing fairly because its costly structure – a federation of fully fledged banks with their own semi-autonomous administrations – means that its costs are higher than those of conventional banks.

Then comes the recent wave of Italian banks which have not hesitated to undercut their Rhône-Alpine competition, especially in lending to the construction industry, the Italians' traditional expertise. Lyon has eight Italian banks; more than half, attracted by the growing cross-frontier trade between Rhône-Alpes and Italy's industrial north, have come in the past seven years, Recent arrivals include Banco Nazionale del Lavoro and Instituto Bancario Sao Paolo di Torino.

Some of their Rhône-Alpes competitors have responded by co-operating, or taking equity stakes in an Italian partner. Case and Lyonnaise de Banque have done so, though the latter has curbed its international investments in recent years.

Mr Joël Picard, deputy managing director at the Case, believes the competitive threat from Italian banks is containable. "So long as Italian banks are coming to the region to accompany Italian companies here, they will have no problem, but I don't think they can do as well as we can on our own market. They have arrived here late, and at a difficult time," he says.

Overall, according to Mr Rivier of the Banque de France, the picture is of a strong banking industry, with high quality management, well able to ride out the economic downturn. "So long as the crisis does not go on too long, I do not foresee any major problems," he says.

A former prime minister of France leads a crusade

# Archetypical Lyonnais

THE PORTLY Mr Raymond Barre, the voluble 68-year-old economics professor who has been an MP for Lyon for the past 15 years and is a former prime minister of France, is on a crusade.

He is leading the campaign for the former capital of Roman Gaul to be chosen as the site for the future European Central Bank.

Mr Barre is a tireless ambassador, arguing the city's cause in London, Brussels and even in front of an audience of sceptical and suspicious German bankers in Frankfurt, seat of the German Bundesbank and the most heavyweight rival for the honour. The final decision is likely to be made by European Community governments, some time after the final ratification of the Maastricht treaty on European political and monetary union, possible in the second half of this year, Mr Barre believes.

Thanks to his efforts, Lyon has waged a much more visible campaign for the honour than other candidates such as Amsterdam, Edinburgh, Strasbourg, Luxembourg – or even Frankfurt itself.

In this, Mr Barre's crusade has the discreet support of the French government, aware that attempts to attract the bank to Strasbourg, the main rival French site, is very unlikely to succeed because of the presence there of the European Parliament.

The egg-headed Mr Barre looks and talks like an archetypical Lyonnais, jovial and fond of the good things of life. Yet like many French politicians his real roots are well outside his local power base; he was born in the Indian Ocean island of Reunion and he is married to a Hungarian.

"To have the bank here will be good for Lyon, for the internal balance of France and for the balance of power in Europe," he says, taking a brief rest in his Lyon headquarters during his weekly whistle-stop tour of his inner city consituency. "Whether we succeed or fail, there will be an advantage in it for Lyon because it will be better known internationally."

Lyon's natural claim, he says, rests on its 500-year history as a banking centre, good road, rail and air links to northern Italy and Spain and western Germany, and its position at the geographical and cultural divide between north and south Europe.

He points to other international bodies which have chosen Lyon for their base for similar reasons – Interpol, the international police organisation, and Euronews, the European television news service which, symbolically, started broadcasting from Lyon at the dawn of the single European market on January 1, 1993.

Raymond Barre: "I am a great partisan of decentralisation"

But why should Lyon have a claim rather than Paris? "I have long been preoccupied by the concentration of activity in Paris. Other cities now need to become, if not as an important centre of activity as Paris, at least a balance. Lyon is, after all, the capital of the French provinces," says Mr Barre – quoting Albert Thibaudet, the early 20th century literary critic.

He uses a similar argument to justify Lyon's claim for the bank against other non-French candidates. "All the centres of EC decision-making tend to be concentrated in northern Europe. Since the enlargement of the EC to include Spain and Portugal – economies with great potential – the south has acquired a new importance. Lyon is exactly between north and south, and belongs to both at the same time," he says. Its close political and business links with Barcelona, Milan and the powerful German region of Baden Württemberg reinforce this claim.

Mr Barre is far too decent a man to knock the competition, but he argues, nevertheless, that Lyon has important advantages over rival sites. Frankfurt, home to the Bundesbank, poses an obvious political problem; there would be a concentration of monetary power in German hands. Apart from that, Mr Barre sees Amsterdam as the nearest competitor, because of its banking industry and agreeable quality of life.

However, the Dutch city suffers from the disadvantage of a northern position, which runs against the claim that the Euro-bank site should be at the centre of gravity of the EC's political map.

Some would say that Lyon's campaign is a long shot, given the uncertainty hanging over monetary union – and, therefore, the need for a European central bank in the wake of the recent upheavals in the European Monetary System. Mr Barre is undismayed. He is among those who believe it quite possible that seven or eight European countries - Germany, Benelux, France Spain and Italy - may switch to a single European currency towards the end of the decade, leaving the rest to join the core of the new system later.

Whether Mr Barre's campaign succeeds or fails, it does underline a change in French attitudes - the slight shift of power from Paris to the provinces over the past 10 years.

"I am a great partisan of decentralisation," says Mr Barre. "But it is not enough to create regions with powers when so much of the administration remains concentrated in Paris."

**W.D.**

Grenoble buzzes with technology research

# Innovating is a tradition

GRENOBLE'S post-war transformation from obscure little French industrial town to France's biggest technology research centre outside Paris is part accident, part industrial planning by an active local government.

Its high-tech image was ruffled a few weeks ago with the publication of a parliamentary report claiming that Grenoble might be unwitting host to a Mafia network. This has provoked a firm denial from Mr Alain Carignon, the town's RPR mayor and it promises to be a strong local theme in the run-up to next month's parliamentary elections, in which Mr Carignon is planning a return to national politics.

Underneath the pre-election alarms and excitements, Grenoble has reason to be content with its lot.

At the end of the last war, Grenoble was "a really mediocre, dull little town, even a national joke," explains Mr Joële de Leiris, deputy mayor and university professor. "On average, we have had one new big science establishment coming to Grenoble every 10 years. Today, people tell us we have too many. I can't agree," he adds.

Today, Grenoble and the Isère *departement* of which it is the capital is host to 250 laboratories and 8,500 researchers. It produces economic growth well above the national average and has lower than average unemployment. It is a fertile ground for a number of high prestige European technology projects and electronic company investments, around which have sprung a vigorous community of small high technology companies.

Isère produced 1,433 new companies in 1990 – the first year of the economic slowdown, when unemployment stood at just at 8 per cent against a national norm now two points higher.

Many of the start-up businesses founded by local executives, or spun off from the research departments of Grenoble's four universities, have quickly died. "Too many of them have a product, but nothing else," mourns Mr de Leiris.

**'On average, we have had one new big science establishment coming to Grenoble every 10 years. Today, people tell us we have too many. I can't agree'**

But others have flourished, such as Cap Gemini Sogeti, founded nearly 20 years ago in Grenoble by Serge Kampf and now Europe's largest computer services company.

On a more modest scale, there are a flock of smaller successful start-ups such as Atral, an alarm systems maker founded nine years ago by two former executives of Merlin Gerin, the local electrical products group. Atral now employs 200 people at Crolles, just outside Grenoble.

This solid base of skilled research workers and innovative companies has acted as a magnet for large technology-based groups such as the US group Hewlett Packard, which moved its world microcomputer heaquarters from California to Grenoble two years ago, at the same time as Sun Microsystems opened its international network computing centre there. The latest arrival is Rank Xerox, the office equipment group.

These newcomers have helped to offset the job losses made over the past few years by Bull and Thomson, the French state-owned computer and electronics groups, which are both active in Grenoble.

The town owes its break with its industrial past in part to the influence of one or two local decision makers – such as Louis Néel, the Nobel prize-winning physicist who was posted there during the war, and the Merlin family, founders of the Merlin Gerin electrical equipment group.

They were influential in persuading central government to set up the CNRS national centre for scientific research in Grenoble just after the second world war. This was followed, 10 years later, by the CENG nuclear research centre, and joined, in the mid 1960s, by the Laüe Langevin Franco-German neutron laboratory.

The latest, scheduled to start operating later this year, is the Synchrotron, the FFr2.2bn particle accelerator owned by 12 European countries which is due to open to users next year.

"Here, within a radius of one or two kilometres, you have leading European laboratories in a whole range of disciplines," says Mr Yves Petroff, director general. One of the things which made Grenoble attractive was the city's willingness to pay for road access to the Synchrotron. "Until recently, Paris never gave money to technology. Grenoble has been doing it for years," says Mr Petroff.

This is where the town's tradition of several decades of active industrial and economic planning comes in. The late Mr Hubert Dubedout, the Socialist mayor for 18 years until 1983, and a former nuclear scientist, was another pioneer who used his local government resources to help put Grenoble on the map.

He was instrumental in attracting the 1968 winter Olympics – and the infrastructure investment that came with it – as well as launching an ambitious urban development programme, including one of the most efficient public transport systems outside Paris.

But perhaps his most important policy was that of encouraging links between scientific research and industry well ahead of other French towns.

Grenoble's showcase in this respect is the awkwardly named Zirst, a business park which opened in 1973 on the twin principle that tenants must be vetted by a scientific committee. In return for this, the finance for their buildings is guaranteed by the departmental council.

The idea came not from Mr Dubedout, but from the mayor of Meylan, a commune just outside Grenoble; it received full backing from the city. Zirst tenants now include the Cnet, France Télécom's research centre, Merlin Gerin, and Sema, the leading software group.

Mr Dubedout's successor at the town hall, the young Gaullist Mr Alain Carignon, has continued in the same tradition. Under his tenure, the city has funded university chairs – normally the domain of central government – merged the area's disparate economic development organisations into a single powerful body, Grenoble Isère Développement.

He also launched the biggest public investment in the city for years: the Europole business centre, next to the railway station (which is now less than three hours from Paris, thanks to the opening of a direct Train à Grande Vitesse (TGV) link last year.

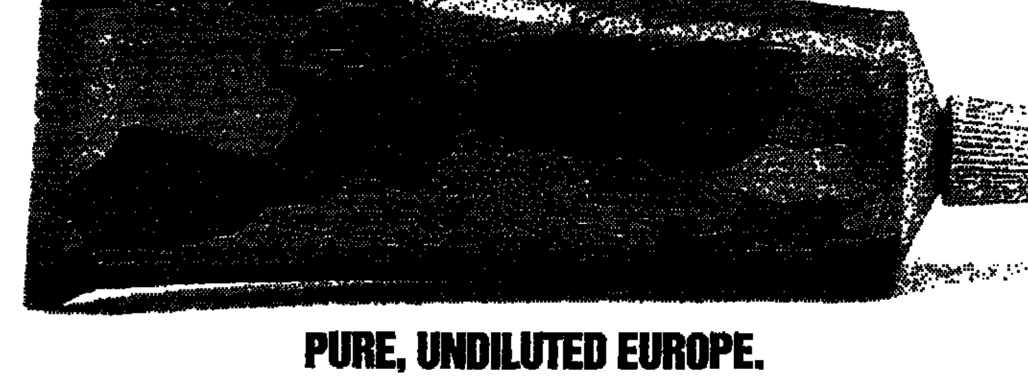
The cost of all this activity has been a sharp increase in the city's debt.

Grenoble's financial problems, however, are mild by comparison with a city like Angoulême, which has had to reschedule its debts.

Mr Carignon's team has trimmed away at Grenoble's borrowings – down to FFr1.45bn last year from FFr1.7bn three years ago – with a programme of privatisations (a growing trend in French local government) and spending controls. Not for the first time, Grenoble is turning to innovative solutions.

**W.D.**





## RHONE-ALPES 4

**William Dawkins** looks for green shoots in the snow

# All eyes on the weather

THE GREEN shoots of recovery are beginning to show in the ski industry, a mainstay of the Rhône Alpes economy, but they are still fragile.

There are mixed reasons for this in the region which traditionally attracts 60 per cent of all French winter sports bookings. One is fall-out from the 1992 winter Olympics in the Tarentaise resorts around Albertville. Another is two seasons of better snow following three years of dismally bald *pistes*. Then there is a recovery in consumer spending in the US – an important market for Salomon and Skis Rossignol, the leading ski equipment makers based near Annecy and Grenoble respectively.

The winter Olympics gave the region's ski industry the biggest shot in the arm since the 1968 Olympic games came to Grenoble. Like most shots in the arm, it caused initial pain to the patient – in the form of a decline in winter sports bookings during the games early last year. Holiday skiers were frightened off by the prospect of crowds and traffic jams.

Excellent December snowfalls attracted them back to the slopes in large numbers. Christmas week ski resort bookings were up by 15 per cent, according to the Rhône-Alpes regional council. But much of the snow had melted by late January. The industry fears that mass cancellations for February, usually the peak month, could ruin the season's good start.

"We are finding a new optimism in the market. But our fortunes are more sensitive to changes in the climate than in the economy," says Mr Jean-Jacques Bompard, secretary general of Skis Rossignol, the world's largest supplier of skis (under its own name and as Dynastar).

New motorways and express rail lines have been built around the Olympic sites. The Olympics also provided some communes with ice rinks and halls surplus to immediate requirements – a financial headache for some, but an improvement in the capacity of the winter tourism industry.

Whether economic recovery proves real or illusory, both the leading ski equipment groups have long come to accept that they live in a mature market. Skis Rossignol, for example, forecasts that world demand for skis from all producers should rise from 5.9m pairs in 1991-1992 to more than 6m pairs this season, of which more than a quarter will be Rossignol brands. Yet that only brings sales back to the same level as four years ago.

To guarantee long term survival, both groups have followed a similar strategy: trimming operating costs and diversifying into other sports equipment.

Salomon, the larger of the two companies with sales of FFr1.5bn last year, was the first to diversify beyond its core business of ski-bindings, in which it is world market leader with a 44 per cent share. In 1984 it bought Taylor Made, a US golf club maker which has since prospered. Then came an innovative ski model, made of a single shell rather than of the conventional sandwich design. Since its launch in 1989, this model has taken at least a fifth of the market for skis priced at FFr2,000 and up.

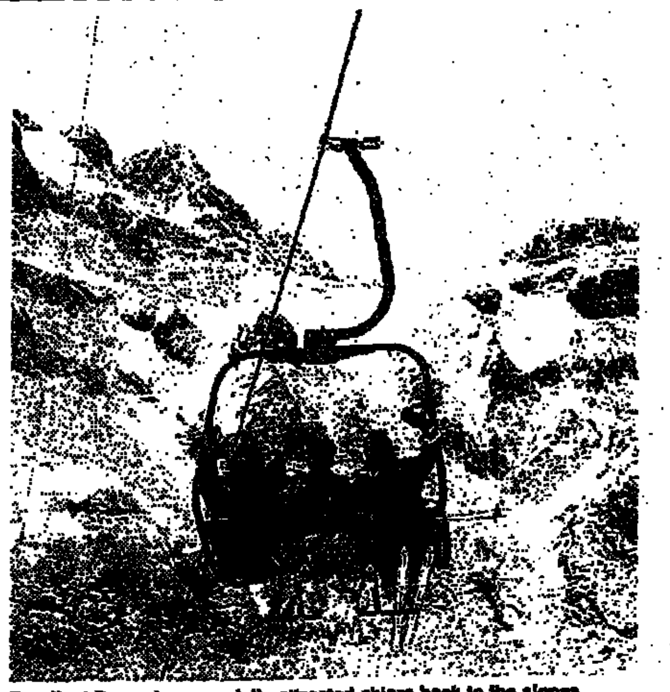
"We could have bought a ski company, but there would have been no point because we would have had to invest in complete retooling for our new design. I am glad we started from scratch," says Mr Jean-François Gautier, the young chief executive brought in two years ago by Mr Georges Salomon, the retiring company founder.

The group had to suffer 380 French job losses two years ago – a serious blow to the small lakeside town of Annecy. Since then, however, it seems to have turned the corner.

Rossignol, which still devotes 64 per cent of turnover to skis, has followed a slightly different diversification strategy. It began in 1977 with the launch of a line of tennis rackets which has since proved a flop. Rossignol stopped production in France last year and has now turned to Asian subcontractors.

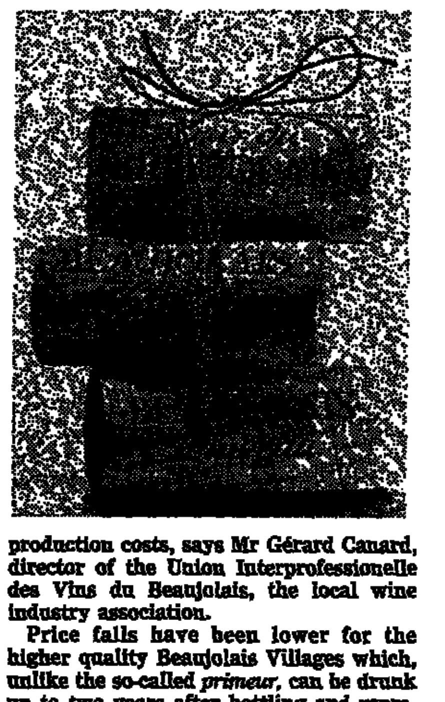
Rossignol's main diversifications outside skis are its two lines of ski boots, its own and Lange, a maker of competition boots it bought in 1989, which now account for nearly a fifth pf its sales and 11.5 per cent of the world downhill boot market.

Rossignol's recovery has been weaker than Salomon's, but Mr Bompard is expecting a profit this year. Everything hinges on the weather.


Excellent December snowfalls attracted skiers back to the slopes

A saint's blessing

# Wine . . . . and song



RECESSION has hit the pockets but not the spirits of the 20,000 people who earn their living from making and selling Beaujolais. It is, perhaps, Rhône-Alpes' best known product internationally .

The mood was jovial as the wine growers around Anse, in the south of the area that produces Beaujolais Nouveau, gathered for their annual seven course lunch on St Vincent's day last month, to celebrate the wine industry's patron saint.

As foil-covered numbered bottles were passed round for a blind pre-lunch tasting, the consensus was that the wine to come on to the market next autumn would be of excellent quality. Riotous singing floated up to the rafters of Anse's Maison Rurale as celebrations wore on through the late afternoon.

Like the rest of the French wine industry, Beaujolais has recently been through hard times.

Wholesale prices fell by an average of 27 per cent last year for Beaujolais Nouveau, the refreshing young wine released world wide every year in the third week of November, which accounts for half the region's production of 170m bottles a year.

Prices now stand at their lowest since the 1960s, and well below some growers' production costs, says Mr Gérard Canard, director of the Union Interprofessionelle des Vins du Beaujolais, the local wine industry association.

Price falls have been lower for the higher quality Beaujolais Villages which, unlike the so-called *primeur*, can be drunk up to two years after bottling and represents another quarter of Beaujolais output. The highest quality Beaujolais wines, the 10 *crus* such as Morgon and Brouilly, have never been known to sell below cost.

"Prices had risen to unreasonable levels in 1989, so this is no great surprise." Even so, he says, growers of the cheapest Beaujolais Nouveau have experienced "some difficult situations." Fortunately volumes have kept up, with an estimated overall rise in sales of five or 10 per cent last year. Within this, exports rose by 25 per cent in volume - but were static in value - in the first 10 months of 1992.

The Beaujolais industry remains a striking mixture of craft production and international marketing clout. Typically, Beaujolais wine properties are owned by small family businesses, unlike the food and quality goods giants which dominate Bordeaux and Champagne.

Bottling, distribution and marketing is handled by a handful of large wholesale merchants such as Georges Duboeuf or Ferraud – a function of the investment required to deliver 85m bottles across the world in the few weeks during which Beaujolais Nouveau is marketed.

This is why merchants handle a much higher proportion of Beaujolais sales – on average 85 per cent, Mr Canard estimates – than they handle in other winemaking regions of France. However, the proportion of direct sales has gradually risen in recent years, as supermarkets and the catering business seek keener prices by cutting out the merchants.

The Beaujolais tradition of releasing at least half the region's production over a period of just a few weeks is partly historical accident, partly marketing technique. In the early years of the century, the so-called Beaujolais *primeur* had an even shorter shelf-life than it has now – so Lyon brasserie owners used to order it by the barrel before it had even finished its four to five day fermenting period. When some bar owners started putting up notices proclaiming that the Beaujolais Nouveau had arrived, the wine merchants saw a marketing opportunity.

"The merchants have played a very important role in marketing us," says Mr Canard.

Their ability to keep export sales rising steeply during a world recession indicates that Beaujolais merchants have not lost the knack.

W.D.

'Distilling is the ideal work for monks'

# Heavenly spirit


ONE OF the oddest businesses in Rhône Alpes must be Chartreuse Diffusion, which exists not for pure profit but to support a silent, mountain-bound, religious order.

Chartreuse Diffusion's mission is to sell the fragrant green herbal liqueur of that name, and other drinks, bearing the brand of the Chartreux, or Carthusian, monastic order.

With sales more or less stable at FFr33m a year, and 48 employees, Chartreuse Diffusion is based in a motley collection of warehouses and cellars in Voiron, an industrial town in the valley beneath the high mountain stronghold of the 11th century monastery of the Chartreux fathers.

Majority-owned and controlled by the religious order, it employs lay workers and is run on the fathers' behalf by Mr Jean Marc Roget, a local businessman.

Beyond cultivating and preparing the liqueur's 130 ingredient plants in their monastery gardens, the fathers play little part in the daily operations of the business.

Two of them descend to the valley at intervals to operate the distillery, which produces 1m bottles a year. The monks receive a special dispensation to speak for business purposes, explains Mr Philip Boyer, who is in charge of external relations.

"The Chartreux rules oblige them to work for a living, unlike the mendicant monastic orders. Distilling is the ideal job for them because it demands so little labour," Mr Boyer says. Labour-intensive storage, bottling and sales are left to the lay employees.

The company sells a steady 48 per cent of its output abroad, relying on its natural mystique to attract custom. Spain is the biggest market outside France, taking 25 per cent of exports, followed by the US with 10 per cent.

A recipe for a powerful green health elixir (as with Coca Cola, the recipe is a trade secret) was donated to the Chartreux fathers in 1605 by Maréchal d'Estrées, the legendary French field marshal. It took the monks more than 100 years to work out how to make the remedy, 40 per cent volume. Thirty years later, in 1764, the monks produced the milder green liqueur based on the elixir, and this is their main product today.


The elixir itself is still available. There is a increase in demand for it in Japan – not as a drink, but as a hair tonic, says Mr Boyer. "It might seem odd, but there could be some active herbs in the mixture."

The fathers nearly lost what is now their main source of income when Napoleon seized the recipe in 1810, during a general round-up of all secret remedies which might prove useful to the state. He returned the document a few months later, stamped "refused" – to the fathers' lasting relief.

Chartreuse Diffusion's main customers are supermarkets and the hotel catering business. With un-monastic commercial aggressiveness it has to fight its corner against other drinks brands, Mr Boyer says.

It also has a traditional direct marketing programme in local ski-resorts, where holidaymakers on their first night are offered "Green Chaud," the latest in Chartreuse Diffusion's menu of Chartreuse-based cocktails. "Green Chaud" consists of hot chocolate plus a dash of the liqueur. The idea of this made the fathers laugh, says Mr Boyer, but it has gone down well with skiers.

W.D.

FINANCIAL TIMES SURVEY

# PERSONAL AND PORTABLE COMPUTERS

SECTION III

Friday February 19 1993

**The computer industry today bears little resemblance to its counterpart of a decade ago. Younger, more agile competitors are moving in the direction of more compact, more flexible and more portable personal computers. Alan Cane reports**

## Challenge of the notebooks

INSURANCE ASSESSORS inspecting the damage caused by Hurricane Andrew in the southern states of the US last year took part in a novel experiment. They used a hand-held computer which was able to accept handwriting and also to determine its geographic location by reference to a satellite signal – an essential capability with roads and streets damaged or vanished. A linked video camera provided a complete photographic image of the devastation.

The experiment points to the future use of portable computing – and to the way the computer industry is going. Today's computer industry bears little resemblance to its counterpart of a decade ago and rapid change is still the order of the day.

Personal computers and their more powerful cousins, workstations, are the key contributors to the shift which has seen yesterday's industry leaders cast down in favour of younger, more agile competitors, and a decisive swing away from traditional mainframe-based data processing.

The leaders of the new industry include Microsoft, the software company which sells MS/DOS, the most popular operating system, Intel, the semiconductor house which makes the microprocessors used by the majority of PCs, and Novell, which markets the most popular networking software.

It has become a world where the owners of the key technologies have the whip hand. Computer makers are, in a sense, simply distributors of that technology. For the future, therefore, there is a powerful incentive for companies to establish their proprietary technology as an industry standard.

Digital Equipment, for example, a company which missed out on the personal computer revolution the first time round, is trying to establish its Alpha microprocessor, the first commercial 64-bit risc chip, as a standard for power computing. It faces competition from IBM, Hewlett Packard, Sun Microsystems and MIPS.

IBM is still the world leader in personal computer sales, with revenues from its PC business of between $10bn and $12bn a year. The European leader is Olivetti of Italy, while NEC has a commanding lead in Japan by virtue of its proprietary design.

Now the personal computer industry is beginning to experience, in its turn, the wind of change as portable computers in a broad range of sizes and designs begin both to make inroads into the desk-top market, and to make personal computing available to a new generation of potential customers. About 20 per cent of all personal computers bought today are portable, and the proportion is increasing. Consultants Frost & Sullivan estimate total shipments of portable computers in the US last year at 2.3m units, 2.14 of which were notebook machines.

Spoiled for choice: some of the ever-growing range of personal computers on display at PC World

Picture: Trevor Humphries

There is little disadvantage now for the individual in opting for a portable computer over a traditional desktop. Portable and notebook computers use the same powerful microprocessors, run the same software and have as much memory as desktop machines. Lightweight power supplies seem likely to remain out of reach, for the foreseeable future, however.

There is a wide choice of laptops. Olivetti has introduced the Quaderno, smaller and lighter than conventional laptops with digital audio recording. Handheld computers include devices from Hewlett Packard of the US and Psion of the UK.

The development of portable computing is being driven by advances in miniaturisation which often boggle belief. IBM has developed at its Boca Raton, Florida, laboratories, for example, a 105 megabyte hard disk drive about the size of a credit card destined for a new generation of very small personal computers. A decade ago, a 10 megabyte drive in a 20-pound "luggable" computer was at the leading edge.

IBM researchers envisage a range of tiny, personal machines which can be modified for different purposes by plugging in adaptor cards – a global positioning device to work with an on-screen map, for example, or a colour video camera. Mr Jack Kuehler, IBM's most senior technologist, describes the strategy as akin to "razor and razor blades". The personal computer is the razor. The core business will be providing the "blades" of on-line services, communications and information.

IBM is not alone in anticipating huge potential demand for products of this kind. Apple Computer has in development a personal digital assistant, called Newton, which is due to be launched this year. Newton will combine computing power with the facility of an electronic organiser. It will accept handwritten input and fit in a suit pocket. EO, a Californian company, has forged an alliance with AT&T, and the Japanese company Matsushita, to develop a personal communicator combining personal telephone and personal computer.

These gadgets, exciting though they are for the future, form the second age of PCs. The personal computer industry is today characterised by more immediate concerns, including pricing, branding and distribution.

Companies across the world are no longer spending money on computing as they did in the past. Total investment in computer systems – mainframes to notebooks – was $107bn in 1992, $2.5bn less than in the previous year according to the US consultancy Dataquest. These numbers reflect the effects of the recession, the falling cost of computer hardware and a tougher attitude to IT investment among senior executives.

Nevertheless, according to Dataquest, European PC suppliers experienced a surge in demand in the second half of 1992. According to Mr Chris Fell, director of Dataquest's PC service, the surge represents a blip in spending as the market takes advantage of the price wars. "Shipments will certainly remain strong into the early part of 1993, as manufacturers struggle to fulfil a backlog of orders. We will have to see if the demand continues through the summer, although we feel a return to more modest growth is inevitable later in the year."

The price of personal computers has already fallen by up to 40 per cent a year over the past few years – a basic PC which cost more than £4,500 in 1983 now costs £500. There are indications that prices could fall a further 20 per cent this year causing problems for manufacturers and distributors alike as slim profit margins are squeezed further.

It seems likely, however, that prices are stabilising and that PCs will become richer in features rather than cheaper. There are now comparatively few PC components on which prices can fall further. An exception is active matrix flat colour screens, manufactured principally in Japan and used for top-of-the-range portable and laptop machines. The percentage of useable screens obtained from the manufacturing process is still disappointingly low. When it improves, prices will fall rapidly.

Many trace the latest phase in the PC price war to June 15 last year when Compaq, a US company which had been a world leader in high performance PCs, announced a plethora of new products along with price cuts of up to 32 per cent. New ranges of low-priced models were announced.

The effect was electric. 1992 was the year of the no-name manufacturer, when companies without much track record gained market share at the expense of the well-known names, selling on price and a realisation among customers that a well-known brand name was no guarantee of extra quality. Examples of no-name clone makers include Elonex in the UK and Vobis in Germany.

The effect of Compaq's announcement was to cut the difference in price between a Compaq computer and a no-name clone to only 15 per cent from 35 per cent. Last month the company reported net income for the three months to December 31 of $89.5m, or $1.10 a share, on sales of $1.42bn, against net earnings of $66.6m, or 77 cents, on sales of $873.4m a year earlier. Analysts had expected the company to earn between 80 cents and $1.01 share in the quarter.

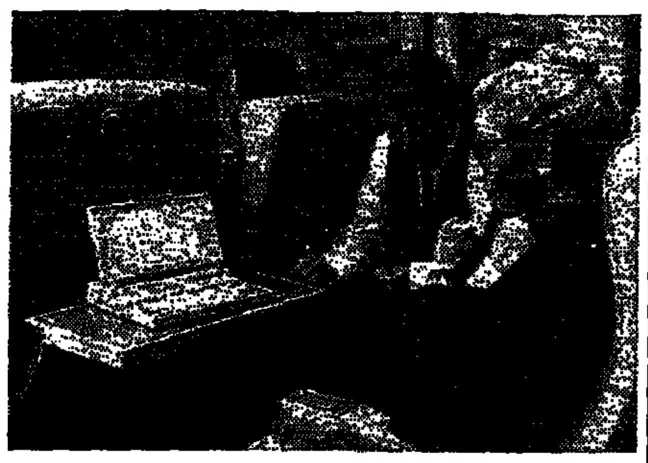
Mr Eckhard Pfeiffer, chief executive, was quoted as saying: "We have seen record-setting demand for our entire product line since June when we began implementing our new strategy of offering price-leading products that feature Compaq quality and the best service and support in the industry."

Later in the year, IBM announced its own strategy: four separate product sectors, each serviced separately. A new, wholly-owned subsidiary was established in Europe to compete, apparently successfully, with the lowest cost no-name suppliers without hurting IBM's quality image. It also introduced a budget line worldwide – the PS/Valuepoint systems designed to compete against lower priced offerings from Compaq, Dell and the like. These lower priced machines have been selling well. The turnround at Compaq and IBM suggests that if prices are comparable, customers will opt for the name brand. Prepare for further blood-letting this year. By comparison, Hurricane Andrew was a breeze.

### IN THIS SURVEY



*Editorial production: Roy Terry*



A Toshiba notebook portable on the move

## The Japanese challenge

# Second fiddle in the west

IN THE context of global PC markets, Japanese manufacturers have generally had to play second fiddle.

In contrast to their position in their own domestic market, where Japanese manufacturers have been able to keep a tight hold on consumers, their presence overseas has been singularly unimpressive.

"The reason why Japanese manufacturers are not doing so well in the US and Europe is because US manufacturers are so strong," admits Mr Takashi Kuwabara, general manager of the international personal computer product marketing division at NEC.

In Japan the dominance of NEC's proprietary system and the difficulty of the Japanese language have made it difficult for foreign manufacturers to penetrate the market.

In the same way, the predominance of IBM's operating system in the west has been a big obstacle for Japanese companies trying to break into the US and European markets.

NEC, for example, which makes IBM-compatible machines, says that it is always a step behind IBM in bringing out advanced models because it has to test about 100 important software applications every time it launches a new machine.

Another difficulty Japanese PC manufacturers face abroad is the need to rely on sales of stand-alone machines, rather than systems integrated products, says Dr Shigenori Matsushita, general manager of the planning and co-ordinating office in Toshiba's information processing and control systems group.

This is because computer systems are very closely tied to the culture of each particular country so that it becomes necessary to employ expensive engineers – a risk which most Japanese companies have not been eager to take.

Obstacles, such as the above, to Japanese penetration of overseas markets, leads NEC's Mr Kuwabara to conclude that "Japanese (PC) manufacturers will not become a threat to western manufacturers".

Having failed to make much of an impact in terms of market share, the Japanese strategy has been to concentrate on high value-added products.

"We are working to maintain high performance and high quality and not get involved in price wars," says NEC's Mr Kuwabara.

Mr Kuwabara compares NEC's strategy to that of Mercedes-Benz or Audi in the car market: both are products which have kept to their own independent marketing strategies regardless of overall market trends.

That may sound like little more than trying to put a brave face on an impossible situation but a high value-added strategy may not be such a bad one for the Japanese, particularly when combined with their strength in PC components.

"As PC vendors, the Japanese have about as low a profile as you can get in contrast to what they've managed in other areas," says Mr Mike Jeremy, electronics analyst at Baring Securities in Tokyo.

But in terms of the components that go into a PC, the Japanese have a very high profile. They are leaders in integrated circuits, particularly DRAMs, in floppy disks and in flat panels.

"If you apply the strategy of the parts to the whole, the Japanese have a very successful PC strategy," Mr Jeremy says.

The edge that they have in components, particularly in some of the promising new technologies such as flat screens and small batteries, could in future strengthen their overall position in the PC market.

Just as Toshiba was able to capitalise on its early entry into the laptop and notebook PC market, an early entry into new technology areas could give the Japanese just the break they need.

Industry experts expect some of these advanced technologies in which the Japanese excel to become more popular as their prices fall over the next few years and as the price wars that have been raging in western markets become less of a determining factor.

"Japanese manufacturers sell high performance machines at high prices but the market does not want that now," says Mr Katsushi Shiga, an analyst at Dataquest, the high-technology market consultancy.

When the environment for such new technologies improves, however, they could become strong weapons for the Japanese, Mr Shiga believes.

Among the promising new technologies in which Japanese manufacturers have a leading edge in are thin-film transistor (TFT) colour liquid crystal displays (LCDs).

In fact, the Japanese dominance of the TFT market is such that US attempts in the US to impose an anti-dumping duty on Japanese-made TFT-LCDs caused an uproar among US users which depended on products from Japan.

Unlike passive colour liquid crystal displays, TFT colour LCDs are easy to read even when viewed from a slight angle.

The problem, however, has been the high price of PCs which use TFT displays and it will take some more years until prices come down to more acceptable levels.

This could happen in about five years' time as consumer electronics manufacturers have been working hard to use TFT colour LCDs in their products and once the TFT ball starts rolling in the consumer electronics industry, volumes could rise steeply bringing prices down dramatically.

**The presence overseas of Japanese manufacturers has been singularly unimpressive**

Japanese manufacturers also have an advantage in their manufacturing technology, says Dr Matsushita.

Surface mount technology used in notebook PCs, for example, which allows printing on both surfaces of a printed circuit board and therefore greater compactness, is a technique perfected by the Japanese.

Meanwhile, as they continue to work on developing these technologies further, Japanese manufacturers will want to speed up a long overdue review of their overall marketing strategies for domestic and overseas markets.

Until quite recently, Japanese manufacturers have been able to maintain high prices in the domestic market. This means that they have not participated in the price wars that have spread through western markets.

However, in the past few months, US manufacturers such as Compaq and IBM have begun to present a previously unseen challenge to the domestic manufacturers' stranglehold on the Japanese PC market.

In a bid to spread the use of its bilingual operating system, DOS-V, IBM set up the Open Architecture Developers Group (OADG) in Japan two years ago. The American giant invited other hardware manufacturers, both foreign and domestic, to back its standard as an alternative to NEC's 9800 PC series.

OADG has so far brought together more than 25 manufacturers, and if it has not helped the fortunes of all of its members, it has certainly raised the profile of IBM in Japan.

Then in October last year, Compaq shocked the Japanese market by announcing a range of desktop PCs priced at about half of what it would cost to buy comparable machines from a domestic manufacturer.

Compaq's move was soon followed by price cuts from IBM, NEC and most recently, Fujitsu.

That the spiral of falling prices is unlikely to end just there was signalled when Compaq announced a further cut in prices this month.

**Michiyo Nakamoto**

## Paul Abrahams reports on a price war epidemic

# The lean, mean survivors

PERSONAL computer price wars have broken out across Europe. During the second half of 1992, the large established groups, such as Compaq, Hewlett-Packard and IBM of the US and ICL of the UK, admitted PCs had become commodity products.

The branded companies decided to take on the clone manufacturers at their own game. Prices were slashed and low-price models launched. In the UK, average prices for PCs using the 386SX chip fell nearly 30 per cent from £2,074 to £1,479 between 1991 and 1992, according to Context, the London-based market research company.

The situation is still deteriorating – at least for manufacturers, if not consumers. Mr Bruce Sinclair, vice-president of Northern Europe for Dell Computer, reckons the price of a 386 workstation has fallen by 50 per cent to about £1,000 over the last 12 months, depending on configuration.

Infocorp Europe, the Paris-based market research group, expects prices to fall 15 to 20 per cent during the first half of 1993.

Compaq led the way with the launch of its ProLinea PC range and its Contura notebook computers. IBM followed with its ValuePoint range, as did Hewlett-Packard.

The initial success of low-priced branded products surprised even the companies involved.

Both Compaq and IBM were left with product shortages. At the end of the year, Compaq still had two months of back orders to fill.

However, Ms Marye Tonnaire, industry analyst at Dataquest in Paris, says once these early problems began to be overcome in the last quarter of last year, the floodgates opened and prices tumbled even faster.

The price has driven volume growth. Dataquest estimates the European market will have increased by 11 per cent last year, a reversal of the previous four years which witnessed slowing growth rates.

Meanwhile, so-called no-name manufacturers such as Vobis in Germany and Elonex in the UK have continued to do well.

In Europe, they increased their share of the market from 8.1 per cent to 9.1 per cent, according to Infocorp.

The switch for most of the groups from high-technology high-price companies to high-technology low-price distribution has created an enormous culture change. The price cuts have squeezed margins for the PC manufacturers.

Put simply, they launched cost-cutting initiatives. Dell Computer, for example, launched a cost-containment drive during the second half of last year called "Cost-busters".

**Personal computer European market shares***

| | 1991 % | 1992 % |
|---|---|---|
| IBM | 15.6 | 13.5 |
| Apple | 7.9 | 8.5 |
| Compaq | 6.4 | 8.5 |
| Olivetti | 6.6 | 6.4 |
| Vobis | 2.8 | 4.5 |
| ICL | 1.8 | 2.8 |
| ZDS | 3.2 | 2.7 |
| Toshiba | 3.3 | 2.6 |
| HP | 1.7 | 2.4 |
| Dell | 1.1 | 1.7 |
| Siemens | 1.8 | 1.6 |
| No name | 8.1 | 9.5 |

* All MS DOS/Windows and Apple models

Source: InfoCorp Europe, January 1993

"Anything that did not add value was cut," says Mr Bruce Sinclair at Dell Computer. "Through the programme we reduced operating expenses from 20 per cent of sales to 16 per cent of sales. Meanwhile we were doubling the number of worldwide employees."

Measures taken at Dell included changing the car policy so that not all managers automatically had cars. Pay policies were changed so that the salaries of 40 per cent of the workforce were linked to performance.

During the third quarter, salaries were frozen and employees offered 50 share options instead. Distribution costs are also being slashed. Dell Computer has always sought to minimise its distribution costs through direct selling. The company reckons 90 per cent of its European sales are through internal channels.

It has also rationalised its logistics by centralising warehousing at Limerick in Ireland, where its new plant is capable of configuring computers for European local markets. This cuts down inventory in local markets.

"What is so encouraging about the last 12 months is that it shows the established PC manufacturers are capable of change. They have become lean and mean," says Ms Tonnaire at Dataquest.

Meanwhile, European retailers are also having to adapt to the price wars. The squeeze on margins sent at least 20 per cent of computer dealers out of business last year.

Warehouse-style superstores are being set up in the UK in an effort to emulate US practices. Whether these superstores are successful remains to be seen.

Costs such as real estate and labour in Europe are equivalent to 20 per cent of turnover compared with 8 per cent in the US.

As one PC manufacturer points out, costs in Sweden are rather different than in Austin, Texas.

The full impact of the price wars on the structure of the industry is yet to be determined, according to Dataquest. But some winners have emerged.

Compaq's share of the European market increased from 6.4 per cent to 8.5 per cent between 1991 and 1992, according to Infocorp Europe.

Hewlett-Packard also improved from 1.7 to 2.4 per cent: it shipped as many PCs in the last four months of 1992 as it did during the previous eight. Meanwhile Dell's market share rose from 1.1 to 1.7 per cent. ICL, thanks to its acquisition of Scandinavia's Nokia Data, rose from 1.8 to 2.8 per cent. Vobis of Germany almost doubled its market share from 2.8 to 4.5 per cent.

Olivetti of Italy fell from 6.6 to 6.4 per cent and ZDS of France dropped from 3.2 to 2.7 per cent. Toshiba, the specialist portable computer group, had a tough year, but maintained its market leadership, although Compaq is fast catching it up.

Infocorp Europe predicts the PC market will be polarised between the large groups, capable of pushing down production costs through efficient purchasing and economies of scale, while spreading marketing and distribution costs over very large volumes. Small groups will continue to maintain some competitive advantage, given their proximity to clients and their flexibility and high service levels. It expects that many groups in the middle ground will find it difficult to survive.

The companies that succeed will be those with a wide product mix that allows them to address different vertical markets, says Ms Tonnaire at Dataquest.

Those that survive will also have to get their prices right and sort out their logistics effectively.

"There will undoubtedly be a shake-out during 1993. Some companies will not exist by the end of the year," she says.

Daniel Green on the strategy of IBM's arch-rival

# Every variety from Apple on display

APPLE'S determination to plough its own furrow, away from the fertile fields occupied by IBM PCs and their clones, rarely seemed as justified as it did in 1992.

While IBM, its arch-rival in the world of personal computers, posted a loss for the final quarter of $5.46bn, the highest ever in US corporate history, Apple finished the year on a high note. Quarterly profits were $161.3m on record sales of $2bn, close to the level made by IBM's personal computer division. Sales of the Powerbook range of portable computers alone were worth about $1bn in their first full year on the market. The company's share price reflected the mood, almost doubling in the second half of 1992.

One of the factors behind this performance has been an explosion in the company's product range. By the end of this year, Apple will have launched more products than ever before in a two-year period. New arrivals include the Powerbook Duos – portable computers sold with adaptors that turn them into desktop computers – colour screen versions of older models and additions to a range of high-powered, high profit margin machines, the Quadras.

**There has been an explosion in the company's product range**

This marketing-led proliferation of brands reflects the priorities of Mr John Sculley, Apple's chairman and chief executive, who was recruited from Pepsi-Cola in 1983 to replace the boffins who began the company in the 1970s. In spite of Mr Sculley's marketing credentials, the current brand-led management philosophy is a more recent arrival.

"Two years ago there was a change of strategy," says Ms Jane Burley, Apple's UK regional group product marketing manager. "From being a middle-of-the-range desktop computer maker, we moved both upmarket with the Quadras, and downmarket with the Classic and LC models."

Since then, the upmarket Quadras have consolidated their position as the first choice for design studios and publishers, with the help of some price cuts. The move downmarket was largely a matter of cutting the prices of older models. It culminated at the end of 1992 with the price of the cheapest Apples falling below £400.

Although the approach boosted short-term finances, there have been problems behind the scenes. The price cuts and wider range of products boosted sales too much. Last quarter saw turnover 7.4 per cent higher than a year earlier, but margins were eroded and profits fell 2.8 per cent. Still worse, the company was unable to keep up with the demand for some of its products. Potential buyers were turned away as demand outstripped the supply especially of Powerbook portables and the budget models selling into the Christmas market.

The price of the bottom-of-the-range Classic has now risen again and the company is busy mollifying frustrated customers.

Apple's financial performance, especially compared with other computer hardware suppliers, has also distracted from the fact that the company faces an ever-growing challenge on the software front from Microsoft's Windows programmes.

Like Apple software, Windows uses striking graphics to appeal to non-technical buyers. This is more than a matter of pretty packaging: when a computer is easy to use, employers have to pay less for technical help. A survey by market research company Gartner Group shows how expensive it can be to assist the users of unfriendly computers. The cost of owning personal computers based on the old IBM personal computer software, DOS, is one quarter higher than using Windows on a similar computer and 50 per cent more expensive than Apple.

Much of the history of Apple has been about the battle between such technical advantages of its software and the marketing of microchip power by IBM and its sales-driven followers such as Dell and Compaq. The arrival of Windows represents a recognition by Apple's rivals that software is as much part of marketing a computer as the model number of its microprocessor.

Apple's response has been twofold. In the first instance it has established a set of alliances with IBM itself. The aim is to share the costs of developing the building blocks of the next generation of personal computers. The ventures include Taligent in software more suited to screen graphics, and a tie-up with electronics company Motorola to build a more efficient kind of microchip using the "reduced instruction set computing", or Risc, approach.

**Dauphin Technology of Illinois has announced a computer to compete with the Newton**

The second response is to try to take the friendliness of its technology to new heights. It is driving hard into a new area of computing called "multimedia" in which text, moving pictures and sound all form part of the application.

More dramatic still is its proposed Newton computer, designed to accept handwriting instead of typed-in words and commands. The company has signed alliances with Japanese electronics companies Hitachi and Sharp to develop products associated with the Newton.

These ideas have immediate appeal, but Apple is not alone in its efforts. At least one company, Dauphin Technology of Illinois, has announced a $2,500 computer that it says will compete with the Newton. And last month IBM itself set up a venture in multimedia on which it promised to invest "tens of millions of dollars".

Apple's world is a fertile one and it has in recent months reaped some of its rewards. But the computer industry moves quickly and for Apple to maintain the momentum it gained in 1992, multimedia and the Newton must succeed.

Driving force: Apple Macintosh's new Powerbook range

Michael Dempsey examines security packages

# Game of prevention

COMPUTER games are a serious business. Playing one on a portable computer cost a Birmingham Midshires Building Society salesman his job last year. The society insists that its employees avoid exposing its computers to any risk of a virus. And computer games are a prime source of damaging bugs. Introducing one is regarded as a breach of contract.

Birmingham Midshires uses NCR/AT&T Safari portable computers to sell life insurance and mortgages to potential buyers at home. The portable gives its salesforce the means to calculate and demonstrate mortgages and pension packages. This accelerates the sales process, but leaves the sales staff holding sensitive data on a machine that attracts thieves. And any bug on the software could infect branch computers when sales data is fed down the network.

The building society has spent £300,000 issuing its 90 salesmen with the machines and associated software, notably a security package from Fifth Generation Systems called Safe. Three portables have been stolen in the last 12 months. The object of Safe, which evolved from a product called Triumph, is to make sure the thieves are left holding an attractive but useless piece of hardware.

"Safe is a package that makes our data totally secure, you put the sensitive data on the hard disk and you can't access it without going through three levels of password," says Mr John Edkins, who is manager of business improvement at Birmingham Midshires. Provided his staff follow the rules, no thief will benefit from confidential information provided to Birmingham Midshires. A stolen portable can be used again – but only by installing a new hard disk.

Safe also limits how far unapproved software, notably games, can go on the portable. A game can be played, but only if loaded with its own disk-operating system. Only head office has the ability to copy software from the A drive to the C drive of the hard disk. Software is copied from a central computer via a modem at branch offices.

The society's employees are not issued with disks. This reduces the danger of contamination by computer virus. And the copying limitations make it difficult for a member of staff to copy client lists before giving notice.

If these security precautions sound unflattering to Birmingham Midshires staff, there are significant compensations from using a portable PC. The technology dispenses with the need to heave books of life insurance and mortgage rates from door to door. Administrative work at branch office is reduced to downloading software via the modem. This leaves the salesforce free to concentrate on selling.

"The sales people like it and the clients are very positive. We've had some clients take over the PC and enter their own details." Mr Edkins is convinced the portables have paid their way. "Perhaps 30 per cent of sales are now attributed to the technology. At around £3,000 a machine, one extra mortgage sold will pay back the value of the system."

**The object of Safe is to make sure thieves are left holding a useless piece of hardware**

One company that relies on portables and knows the reality of the virus threat is Reflex Magnetics. Reflex is a media duplication house, supplying disks and tapes across the computer services sector. Mr Andy Campbell, the sales director, works entirely from a portable. With master disks arriving by the dozen to be mass-replicated, he has always been aware of the danger.

Nevertheless, the company eventually did load a virus by accident. It was uncovered and dealt with during testing, but the incident made an impression. Once bitten, Reflex decided to write its own security program. Most virus incidents can be traced back to the floppy disk, Mr Campbell says. "So we came up with a product that forces us to check any disk before it is loaded." Disknet costs £89 and will not allow the user access to the hard disk unless his floppy has been cleared for bugs by virus-scanning software. The correct password must also be entered. The A drive can still employed, but data held on the hard disk is protected.

Mr Campbell is pragmatic about the extent to which Disknet can guarantee security. "Any security device can be cracked if you have enough knowledge and time. Our technical director does his development work on a portable. If a commercial rival targeted and stole that machine they would get past Disknet." There is clearly only so much you can expect from a security package. But Disknet is robust enough to be ordered by the RAF and financial services group HFC.

Physical protection through programs like Safe and Disknet needs to be accompanied by security practices. Marlborough Stirling Group writes financial systems for use on portable computers. Mr Jim Deane, MSG's technical director, recommends pulling data back on to a branch computer at every opportunity. This is known as docking, and reduces the client's exposure to staff defecting with valuable files.

The incentive for field sales personnel to co-operate with docking is that it speeds up the processing of a new policy or product.

The pharmaceuticals arm of ICI, recently re-named Zeneca, issues its salesforce with Sanyo 386 portables. The machine comes with a removable hard disk and ICI adds its own security software. But that is not considered enough. ICI issues internal guidelines on the security of information, dividing it into what can be carried off-site and what can be held on a laptop.

"You're in the game of prevention," says Mr Graham Burton, information systems manager at ICI/Zeneca. "You should prevent sensitive information beng put on portables in the first place." He acknowledges that this places a limitation on the use of the system, but that is a price he is willing to pay.

Michael Dempsey looks at the impact of Groupware

# Striking the right Notes for the future

THE COMPUTER software industry has been promising to change the way people work for the past decade. Sceptics might suggest the aim has been achieved, but only in terms of expense and frustrated users. Enter Groupware.

Groupware is a term coined to embrace programs for people working in teams. It provides an infrastructure to co-ordinate individuals in the group, while ensuring the concurrence of data relating to their work. Members of the group can be scattered across continents. But when they turn to their software environment, the very latest information from all involved is right there.

Groupware offers a godsend to large organisations tackling the logistics of teamwork. The concept has taken off, with Lotus Notes first on the beach.

Notes sits on one dedicated PC which serves up to 50 users. This central core holds material which users summon up, seeing the latest change to the project across the network. Lotus began selling Notes licences for batches of 200 users upwards. The entry investment, at £200 per user, was £40,000.

The appeal was dramatic, with blue chip companies buying licences by the thousand. In the last 12 months the user base has grown exponentially. By March 1992 Lotus had sold 117,000 licences worldwide. Industry sources suggest that this figure now stands at 500,000.

Notes answers many administrative headaches. Use it for conferencing and it boosts productivity by avoiding duplication of effort. A centrally held diary can fix meetings in one shot, rather than the familiar round of phone calls via secretaries requiring a dozen cancelled appointments before one convenient day can be established.

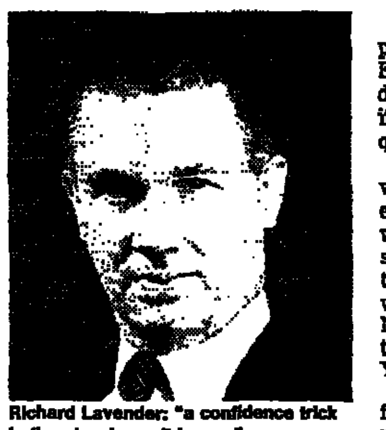
**Groupware is a term coined to embrace programs for people working in teams**

But it does have limitations. The dedicated server must run IBM's OS/2 operating system which is greedy in terms of space on a machine and is primarily established among very large corporate users. Each group hangs off one server, but co-ordinating that server to others to form a constellation of workgroups is not easy. A release for the Unix operating system, offering vastly improved networking capabilities, is imminent.

Management consultants KPMG recently conducted a survey covering 10,000 UK Notes users. The principal problem encountered was actual communication of what Notes does. Within large organisations senior managers still have reservations about whether Notes is worthwhile.

The computer industry can blame itself for this. Groupware arrived in a blaze of jargon. Workflow, a term that has as many definitions as it has adherents, is a typical Groupware spin-off. It refers to monitoring individual effort and directing the user so as to optimise time and effort. But the term is so imprecise that it serves to confuse.

To use Groupware, a company must be comfortable with team structures. There is little point installing Notes if the users work in a fractious environment. Groupware is suited to professional harmony.



Richard Lavender: "a confidence trick in the nicest possible way"

But corporations that have embraced Notes have gone for it in a big way. General Motors has bought nearly 30,000 licences for Notes, through its IT arm, Electronic Data Systems. Mr Mike Thompson, an EDS manager attached to GM in the UK, is impressed. "It's been phenomenal. The user perception is extremely positive."

A typical GM application is shipping pictures of parts around across Europe to ensure that they are produced exactly to their original specification. And it is evidence of the quality of graphics with Notes.

GM is prepared to entrust Notes with a critical role in maintaining engineering standards. But the GM world already consisted of a massive IT infrastructure and the trained staff to use it. Mr Thompson warns that without this investment Notes will not deliver. "You must take account of the support aspect. You do need a network in place."

BP Oil employs Notes as the framework for its emergency response system. If an oil leak occurs in Germany, staff across Europe consult Notes for site plans, technical diagrams and up-to-the-minute strategies.

Notes maintains information on health and safety rules and their implications for the oil sector on a system that can be accessed by BP staff across the continent.

Lotus has certainly gained acceptance for Groupware with Notes. But there are other products that do a similar job. Why has Lotus Notes emerged from the PC world to eclipse steady performers like Verimation's Memo or the new Co-operation program from NCR?

Mr Richard Lavender, a senior consultant at systems house Logica, describes the rise of Notes as "a confidence trick in the nicest possible way." The market presence of Lotus as a reputable supplier of PC software was critical. "People knew

**By March 1992, Lotus had sold 117,000 licences worldwide**

who Lotus were and they already had Lotus products under their belt." And the sales strategy of going straight for large users has produced influential enthusiasts.

Verimation's Memo range grew out of an electronic mail system for Volvo. It tends to thrive in mainframe environments where a lot of users need to pull down and share corporate data. Mr Bruno Giversen, Verimation vice-president, admits that both products have their strengths, and can be complementary. "Memo is much cheaper, but rightly so because Notes has more database facilities."

Abbey National's new life insurance wing uses a mainframe based Memo system to co-ordinate its PC environment. NCR's Co-operation ties together elements of an existing IT infrastructure. The idea is to maintain the hardware investment but control staff working locally within the overall wide area network. It is a development environment that can be altered to suit individual businesses, offering a shot at the elusive prize of "competitive advantage".

National & Provincial Building Society is implementing Co-operation to keep documents flowing between teams. A typical price for a 100-user installation would be £77,000.

Mr Kenny MacIver, a software analyst at International Data Corporation, has made an exhaustive study of the mass migration to Notes. He concludes Groupware is here to stay. "Notwithstanding its obvious limitations, Notes is a glimpse of the future. Where there is a need to share data and co-ordinate group activity, there's going to be a need for such a package."

Louise Kehoe looks at tomorrow's world of ultraportables

# Smaller, ever smaller

WHAT'S next after personal computers? According to many in the PC industry, the future lies in hand-held devices that combine computer and communications technologies. Apple Computer calls them personal digital assistants, others refer to them as information appliances, but perhaps the best name is personal communicators.

Whatever they are called, they are creating a great deal of interest among potential customers, and excitement within the computer industry where they are viewed as a potential multi- billion dollar market opportunity.

Last May, John Sculley, Apple chairman, described his vision for personal digital assistants as the seeds for a $3,500bn industry that would be created by the "collision of content, communications, computing and consumer electronics".

"This isn't about taking a computer and shrinking it down," he said. "It's about starting with an entirely new set of principles built around intelligence, built around communications, built around complete intuitiveness . . . about building something that is as easy to use as an aim-and-shoot camera or a telephone."

The first version of the much ballyhooed Newton personal digital assistant is now expected to make its debut this summer. It will be an electronic note-pad, a hand-held device that "intelligently assists the user to capture, organise and communicate information," Apple says.

At a recent demonstration of a prototype version of Newton, the device could decipher and store handwritten notes, automatically making entries in a personal calendar, send a facsimile message and send or receive electronic messages via the telephone.

Apple says that the first version of Newton will be priced at "well below $1,000". It will be aimed initially at business executives, rather than the masses that Apple eventually hopes to attract with its easy-to-use technology.

Price will be an important factor in the development of the market. It is generally agreed that to reach a broader market personal communicators will have to sell for less than $500 and preferably closer to $300.

Bringing the expectations surrounding hand-held personal communicators down to earth is important, says Marc Porat, president and chief executive of General Magic, a three-year-old company that is developing software for personal communicators.

EO's hand-held tablet: as ubiquitous as the telephone

"I am a walking antidote to hyperbole and hysteria," says Mr Porat. "The public is tired of promises that the high-tech industry does not live up to." It may be a decade, or even longer, before intelligent personal communications become a reality, he stresses.

Nonetheless, General Magic has renewed interest in personal communications devices with its announcement of software that is designed to enable personal communicators from different manufacturers to exchange information.

The company has developed Telescript, a programming language for communications software that it aims to make into an industry standard. Magic Cap is General Magic's software foundation for personal communicators. It provides a "user friendly" face for personal communicators much as Apple's Macintosh did for personal computers.

Companies backing General Magic, and planning to use its technology are Apple Computer, Motorola, Sony , AT&T, Matsushita and Philips.

Motorola, a leader in cellular telephones and paging devices, claims that it will be the first company to bring wireless communications capabilities to personal communicators. "We believe there will be strong demand for fun and easy-to-use devices that will help people stay in touch with the office or with those at home," said Pat Richardson, vice-president and director, Motorola Personal Messaging Products. "Personal communicators will provide business users and ultimately the average consumer with the ability to communicate with anyone, anywhere in the world at any time."

John Sculley: vision of a $3,500bn industry for PDAs

Motorola's first personal communicator will be launched later this year, the company said.

AT&T has already staked its claim to the personal communications market through an alliance with Eo, a Silicon Valley start-up company that recently announced its first products – hand-held computer tablets with built-in communications capabilities.

"These personal communications devices will become as ubiquitous as the telephone or the television," said William Warwick, president of AT&T Microelectronics. He predicted that there could be as many as 1bn of the devices in use in 10 years.

The question hanging over personal communicators is not whether they will become the next blockbuster electronics products but when.

"We think there are going to be billions of these devices out there, and at some point sales of these new devices will surpass those of personal computers. We are guessing what is going to happen before the end of the century," says John Sculley.

**Bill Arnold** on how users will react to a new microchip

# When to take Pentium

A MUCH more powerful, PC microchip called Pentium is soon to be launched by Intel to follow its popular current-generation 486 microprocessor. For PC users or perspective buyers this raises questions about what they should do now. Should they stay with the PC they may already have, or buy the first Pentium-based PC available?

Pentium (which could be considered a 586) leads a pack of new, higher-performance microprocessors that are emerging, such as the Alpha from Digital Equipment and the PowerPC from the Apple Computer-IBM-Motorola alliance. These process data 64 bits at a time compared to 32 bits with a 486.

As each of these microprocessors is designed to provide big performance improvements, a user or perspective buyer needs to know how and when to best upgrade his existing hardware and software; the availability of new software; and whether his current software will run on Pentium-based PCs. Significantly, how will the new microprocessors affect PC costs?

The best thing may be to stay with what a user already has for a while. "Buy an economical 486SX which runs Windows right now," recommends Mr Kim Brown, microsystems vice president at InfoCorp, a market research company in Santa Clara, California.

If a user wants more performance later in the year, incorporate an Intel DX2 Overdrive microchip that doubles processor performance, Mr Brown suggests. DX2 Overdrive prices are too high at the moment but should become reasonable later on, he says.

Then next year, as Pentium-based PC prices begin to fall, look carefully at existing applications and determine whether Pentium provides a viable and needed alternative, he adds.

A buy-486-and-hold strategy makes sense to Ms Nancy Tanana, marketing manager at the PC business unit of Digital Equipment in Acton, Massachusetts.

If the applications in use are fairly static and not highly graphical, such as spreadsheets or word processing, then a 486 will do the job for the next several years, she says. There are still a lot of 386-based systems being shipped to meet those kinds of needs as well, she observes.

However, it obviously depends on which applications are in use. If file or network servers are being implemented, then a more powerful, next-generation processor is probably needed, Ms Tanana adds.

Also holding back, Mr Scott Uhrich, senior analyst, at Municipal Bond Investors Assurance (MBIAC) in Armonk, New York, says he sees nothing on the way that would cause him to replace his 486 in the near future. He will wait for prices to fall.

Availability of new microprocessors from system manufacturers is also a big issue for users. "The new microprocessors will not have a significant impact this year," declares Mr Mel Thomsen of Pathfinder Research, a market research company in San Jose, California. Nor, he says, will they compete much with 486s now in the marketplace on cost and performance tradeoffs, since 486-based PCs are so cheap.

Pentium-based machines will probably begin to appear this autumn as servers or other high-end systems aimed at power users, according to Mr Tony Tong, product manager with Elitegroup Computer Systems (ECS), a PC board systems manufacturer in Fremont, California. But it will probably not be until 1994 that systems will appear in any volume, he says. Part of this is due to the time it will take Intel to bring up advanced new fabrication processes to produce Pentiums in volume, he says.

When it is time to upgrade his PC, a user has several choices: buy a whole new PC; swap a new Pentium-based motherboard (printed circuit board on which the chips are mounted) for an existing 486 PC; plug in an add-in board containing a new higher performance processor; or replace a 486 chip with a higher performance microprocessor – assuming that the existing socket on the motherboard will accept the new microchip. Each approach has pros and cons.

**A user needs to know how and when to best upgrade his hardware and software**

For Mr Chuck Davis, information resources director at Eagle Industries in Chicago, Illinois, swapping boards gives a level of complexity he does not need. Using boards would create problems with ordering, record keeping, installation and maintenance, he says. "My orientation is toward the box, not the CPU or boards. We move boxes, not boards," he says.

Mr Uhrich of MBIAC would probably swap motherboards or use add-in cards containing new microprocessors to upgrade but that would depend on the cost implications. However, using add-in cards would not overcome the limitations of the other parts of existing PCs.

To provide a system-level upgrade, Dell Computer in Austin, Texas, recently announced 18 new 486-based PCs with sockets that will accept a Pentium-class microprocessor from Intel, according to Mr Charles Sauer, vice-president for software and technology strategy. Dell is evaluating a Pentium add-in card for the new systems that would provide users with an upgrade path, he says.

Chip vendors cloning Intel microprocessors also provide upgrade options. For example, Cyrix in Richardson, Texas, enables users to upgrade their 386DX sockets by plugging in a 486-compatible microchip that doubles the clock speed, according to Mr Glenn Burchers, microprocessor marketing manager. Cyrix also is developing Spike, a processor, due out in the second half of 1993, that is Intel-compatible for which he claims better-than-Pentium performance.

But software can also limit PC performance, Mr Thomsen of Pathfinder points out. Software is the real wild card in the whole mix, he says. To exercise fully the performance of Pentium and Alpha class microprocessors, for example, Microsoft is developing Windows NT (New Technology) which is expected to be unveiled in May.

Windows NT is designed to let a desktop run applications software developed specifically for the new microprocessors as well as existing applications software written for current Intel-based PCs, such as 486DX desktops that have MS-DOS operating systems. Presumably, x86 applications software could run on, say, an Alpha-based machine, as well as a Pentium one.

This "backwards-compatibility," a stated goal of Microsoft and chip vendors, is designed to preserve the great investment and installed base of MS-DOS and Windows-based applications and might give users more flexibility in choosing new hardware. "The beauty of the DOS-based PC is the $100bn software base," declares Mr Dick Eckhardt, engineering vice president of Cyber Research in Branford, Connecticut. "No one will buy a system that's not compatible with that software," he says.

However, Windows NT will only emulate software written for 486 and older PCs, so performance – though quicker than a 486 machine – won't be as fast as software written specifically for Windows NT, according to Mr Scott Thomas, of Toshiba's Semiconductor Group in Irvine, California. To run faster, the software would have to be cleaned up but this should not be too difficult, he adds.

"There's no merit in buying a 586 (Pentium-class) machine and running the software I've got," Mr Thomsen points out (He uses a 33-MHz 386-based desktop, which works just fine, he says.) "To optimise the performance of a 586, you need to recompile all the software to take advantage of all of the microprocessor's features."

What about PC pricing? Mr Peter Zandan, a market analyst at IntelliQuest in Austin, Texas, believes that Intel will pursue an aggressive pricing strategy for Pentium, echoing the 386 to 486 transition. This should be reflected fairly early on in PC pricing, he says. Users not only will expect it but will demand it, he adds.

Profile: AST RESEARCH

# A fish among sharks

*SINCE* it entered the PC marketplace six years ago, AST Research has quietly become a *$1bn-plus* company that is compared favourably with such first-tier high-flyers as Compaq and Dell Computer.

Revenues from the most recent second fiscal quarter soared to $346.3m, up $60m from the previous quarter and $107m from a year earlier, while net income almost doubled to $14.6m from the previous quarter. Revenues have grown 60 per cent over the past 12 months. In that second quarter AST shipped 200,00 notebook, portable and desktop PCs and expects to ship 1m units in the next 12 months.

But that only makes AST a fish that is eighth in the US and 11th worldwide in a roiling PC marketplace, swimming among much larger sharks such as IBM, Apple, Compaq and Dell. It must navigate carefully to survive in a marketplace ruled by severe price competition, continuing shake-out of PC vendors and unrelenting technological innovation. Furthermore, all competitors have access to the same commodity components and software.

Reflecting on market conditions, analysts with investment house Merrill Lynch Global Securities Research estimates that, although AST's revenues will continue to rise, gross margins continue to slide. Consequently, they lower the earnings per share estimate to $1.85 from $2.00 for the third quarter. However, the New York-based firm acknowledges that AST has "significant" orders, is controlling costs and can expect greater revenues from new products such as notebook PCs.

More bullish analysts at Alex Brown & Sons in Baltimore, Maryland, declare that "we know of no better, low-cost, design and volume PC manufacturer than AST". They point to the company's ability to quickly sniff out "sweet spots" in high-growth channels to jump into first, such as selling through large consumer electronic and appliance chains. They put AST in the "PC elite" along with Compaq, Dell, IBM and Apple.

To continue to grow, AST president and co-founder Safi U. Qureshey says that the company does not face external market challenges but internal ones. "The challenge is how to build an organisation that thrives on change," he says. AST in Irvine, California, for example, must find ways to continually improve production and execution, he says.

Mr Qureshey points out that AST has a young workforce that might become overawed competing against the likes of IBM and Compaq. "AST has to find its own solutions" and "build an organisation that doesn't get scared," he says.

"We must constantly re-engineer the organisation," Mr Qureshey says. "If we continue to do what we did a year ago, we will fail," he says. AST employees must not be afraid to experiment, he adds.

To prepare for growth, Mr Qureshey says that a strong management team has been brought in. The new head of engineering is a 15-year veteran from IBM's PC operation in Boca Raton, Florida. Worldwide service (an AST strong suit) is run by a 25-year Digital Equipment veteran and worldwide manufacturing by a manger with 10 years' experience at Motorola and 15 years at Texas Instruments. (The former engineering head now hunts for new business and technology opportunities.)

But how does bringing in industry veterans from large organisations that might be perceived as slow-moving equate with a young company trying to thrive on change? Acknowledging that this was a concern, Mr Qureshey says that they were chosen carefully and attracted to AST in the first place. The ex-IBMer, for example, was responsible for several successful products there.

AST's goal is to grow faster than the marketplace, Mr Qureshey declares. More moderate price declines in the coming months will help, he predicts. The big players were out of line with their prices and made a correction. Declines now are not likely to be as steep as the last six months of 1992, he maintains.

**It must navigate carefully to survive in a market ruled by severe price competition**

According to Mr Qureshey, AST's success is based on being totally focused on the PC business, based in the biggest marketplace, able to pick and choose from the best technology, and staying close to customers to respond to their needs.

That may sound like motherhood and apple pie, but Mr Qureshey says it is also based on the "challenge" of having his 250-person engineering department wring out the best performance from commodity components and software.

Mr Qureshey claims that when AST entered the PC market six years ago with a 286-based machine, it set new standards for price and performance and started the company's growth. Two years ago AST went after the notebook market against the likes of Compaq, NEC, Toshiba and Zenith and is now a solid number three in the notebook business.

Alex Brown analysts call AST's PowerExec notebooks introduced last September "unparalleled in the industry". The notebooks have pop-out modules that enable users to upgrade their display screens, microprocessors and hard disk drives without having to buy a whole new system. The $995 to $3,395 Bravo line of desktops for small and medium-sized businesses feature graphics and modem capabilities that "set (them) apart from similarly-priced competitive offerings", the analysts report.

The initial Bravo line was brought out four years ago to offer business-oriented features when people were buying consumer-oriented PCs from Leading Edge and Samsung, Mr Qureshey says. A year ago it introduced the Advantage! line for consumer electronic chain stores, now in more than 900 US locations. "We created a whole new strategy," he declares, one that saw revenues for that segment grow to $50m in the second quarter from $30m in the first.

Being vertically integrated also enables AST to design and manufacture PCs for other PC vendors. It reportedly builds PCs for Digital Equipment and may also do contract manufacturing for either IBM or Unisys, according to Alex Brown analysts. Mr Qureshey will not comment on specifics but says that because AST competes head to head with the best PC vendors in the marketplace, large system houses confidently come to the company for design and manufacturing.

This represents the third phase of contract manufacturing. First, large system companies dabbled with the PC manufacturing and then turned to Far East manufacturers, who proved unsatisfactory. Alex Brown analysts say that OEM sales is an increasing percentage of North American sales, rising from 10 per cent to the teens, depending on the quarter.

AST also grows by staying out of some markets, Mr Qureshey explains. For example, one is the Risc marketplace (Risc is speedy microprocessor technology that competes with standard PC microchips). "People looked at Sun (Microsystems) and got seduced," he says. "Sun did a good marketing job but it sells a whole workstation whereas Risc clones couldn't and now are out of business."

Others include pen-based PCs and multimedia machines, which Mr Qureshey says have no primary applications driving them today. They will be niche markets for the next 12 months, he says. Nevertheless, AST will introduce a pen-based system in a few months as part of a measured product strategy in both areas.

AST, now 12 years old, began as a maker of add-in boards that enabled users to add features to IBM PCs. It took its name from the first letters of its co-founders' first names. "I think that there will be 10 or 12 PC manufacturers left in the world and AST will be one of them," Mr Qureshey declares.

**Bill Arnold**

**Paul Taylor** looks at battery technology and power management

# Quest for lighter machines poses a bit of a size problem

WHEN THE transportable computer had the dimensions and weight of a large and full briefcase which was usually plugged into the mains, the size, weight and capacity of the batteries were relatively unimportant.

However, as portable computers have shrunk and computing-on-the-move has become more of a reality, considerably more attention has been focused on the power supply and particularly on how long batteries will last between charges.

Indeed, battery technology has become one of the main limiting factors in the quest for lighter and smaller machines with desktop functionality that can operate for long periods without an umbilical power cord.

Unfortunately, battery technology has lagged behind developments in almost every other sector of electronics. By some estimates, battery technology for portables has improved a paltry 5 per cent a year and in most portable devices the battery now accounts for a quarter of the weight, compared with a tenth a decade ago. As a result, battery makers are now scrambling to come up with lighter, more powerful and longer-lasting batteries.

With the exception of hand-held computers, most portables have until recently relied on rechargeable nickel-cadmium batteries. Generally, they provide enough power between charges to keep a notebook PC running only for between one and four hours, depending upon the application. More power could be delivered by larger batteries, but this would add weight.

These NiCad batteries have other disadvantages, including the so-called "memory-effect" which can mean that unless they are fully discharged before recharging they gradually lose capacity – or the ability to be fully recharged.

Improvements in NiCad technology are reaching their limits, while some governments are moving towards banning them because the cadmium they contain is so toxic that they are difficult to dispose of safely. So researchers have switched their attention to new types of rechargeable batteries.

Several alternatives have been tried, but most have either proved unstable or have shown little power-to-weight advantage over NiCad cells. Manufacturers want a cell that is electrically compatible with NiCads but lighter, thinner, longer-lasting, quicker to recharge and friendlier to the environment.

So far, the most popular alternative has been nickel-metal hydride powerpacks. Initially developed in Japan by Sanyo, NiMH batteries can now be found in the latest portables. NiMH cells deliver the same 1.2 volts as NiCad cells but can store nearly twice as much power (watt-hours) and have the added advantage of being more environmentally friendly. Their total life span of about 1,000 charge/discharge cycles compares with 500 to 600 cycles for NiCad batteries.

However, some manufacturers including Sony Energytec, an affiliate of the consumer-electronics giant, have attempted to leapfrog the competition with a new generation of rechargeable batteries based on a lithium ion cell.

> As portable computers have shrunk and computing-on-the-move has become more of a reality, considerably more attention has been focused on the power supply

Many manufacturers make disposable lithium batteries – mostly in the form of little "button" cells for electronic devices, but it has been a lot more difficult to build stable rechargeable cells.

Although they are still considerably more expensive than NiCad batteries, current versions of lithium rechargeables pack up to four times the power of the best NiCads but weigh only half as much.

But most manufacturers agree that two or three years are still needed to remove technical hitches and reduce the cost of lithium batteries to make them real rivals to NiCad and NiMH technology.

Meanwhile, some companies are focusing their research on improving existing types of battery by giving them their own microprocessors – turning them into what Dr Ross Green, a senior consultant and researcher at the Hertfordshire-based Technology Partnership, calls "intelligent battery packs".

By providing rechargeable batteries with a thumbnail-sized low-cost microprocessor containing a mathematical model of battery behaviour, Dr Green says it is possible to monitor and control the way the battery operates.

Among the advantages he claims for the intelligent battery packs he has been working on are extended service life – because charging and discharge are carefully controlled – the ability to pack up to 15 per cent more charge into a battery and astonishingly fast recharge times – as short as three minutes.

Another byproduct of the research is that intelligent batteries can provide detailed information to the user about their charge state – "an accurate fuel gauge".

However, the relatively limited and slow progress in rechargeable battery technology, coupled in particular with the advent of power-hungry colour portables, has encouraged portable computer manufacturers to turn to other solutions to extend operating life of their machines.

This is one factor behind the move by notebook computer manufacturers to replace disk drives and similar components with less power-hungry alternatives such as the PCMCIA (Personal Computer Memory Card International Association) memory cards.

An earlier development, pioneered by Toshiba, was software implemented power management systems which introduced auto-resume and pop-up battery power indicators.

Software-based power management solutions can enhance battery life, but some risk introducing compatibility and reliability problems, and more fundamental solutions are required to achieve the substantial power savings which portable PC users now demand. More complex power management systems therefore depend upon a combination of hardware and software features.

To provide this, chipmakers AMD and Intel have begun to deliver low power versions of their standard micro-processors with special built-in features to improve power management and extend battery life. Intel began by redesigning its 80386 chip set to include System Management Mode (SMM) circuitry producing the power-saving Intel 80386SL chipset, unveiled at the end of 1990.

Last year, Intel followed up by releasing the 486SL, a low-voltage version of its most powerful PC processor. The 486SL's "flexible voltage" feature means that although it can operate as a 5-volt device, the real savings are made at 3.3 volts with other low voltage components. In these circumstances power consumption is reduced 50 per cent from a 5-volt 386SL system. Intel claimed this should yield one to four hours of additional battery life.

Low-powered chips running at 3.3 volts, instead of the usual 5 volts, have another big advantage – there is less waste heat to contend with. Indeed, some portable computer manufacturers held off from releasing 80486 notebooks because of concern about overheating and Intel has incorporated System Management Mode (SMM) circuitry into its soon-to-be-released Pentium chip.

SMM is thought to account for about 10 per cent of the 3.2m transistors on the Pentium chip, switching idle bits of the computer in and out of "sleep" mode at great speed and even turning off different parts of the microprocessor between key strokes.

Perhaps by the time the first Pentium-based portables appear, other power management techniques and battery technology itself will have made equally significant leaps forward.

**Paul Taylor**

The pen may prove mightier than the key

ELECTRONIC PEN TECHNOLOGY

# A shadow on Qwerty's keys

THE QWERTY keyboard has always been an odd choice of interface between man and machine. It is difficult to use, and for many, intimidating.

By the end of this decade, if the prophets of high technology are right, the keyboard may have been consigned to the dustbin, at least as far as portable computing is concerned. In its place could come voice or electronic pen technology, or a combination of the two.

The hottest new products at last November's Comdex computer fair in Las Vegas were those operated by moving an electronic pen across a touch-sensitive screen or pad. Portable Computer manufacturers, including industry heavyweights Toshiba, Apple, and IBM are racing to deliver computers which take their commands from a pen rather than a keyboard.

Some market researchers have predicted that 1m pen computers will be sold by 1995, but the market is in its infancy and the estimates vary wildly. Last year perhaps 100,000 pen-based machines were sold.

Among the first pen-based machines to reach the market were hand-held machines from Poqet, the Fujitsu subsidiary, and the GRiDPad from Victor Technologies. Meanwhile NCR, the AT&T subsidiary, has already launched a successor to its 3125 pen-based machine which was the first system based on Intel's 80386 microprocessor.

The new NCR 3130 is based on the Intel 80386SL microprocessor, comes with two megabytes of RAM expandable to 16, flash memory or a hard disk, and weighs 4.4 pounds. A new screen texture has been used that feels more like paper than glass to write on. If the machine is dropped, it senses gravity changes and shuts the hard disk down.

So far, two basic designs of pen computer have appeared: the clipboard and the palm-top. Clipboards are generally A4 size, weigh about 6lb, and are used just like a conventional pen and paper clipboard for collecting data or completing pre-defined electronic forms. Customised software enables engineers, market researchers, nurses or surveyors, for example, to gather data, with the pen operating like a glorified mouse, pointing to items on the screen to select them.

On both sides of the Atlantic several companies have begun to use clipboard machines so as to achieve cost savings in paper-intensive areas. The UK Department of Trade has also sponsored the Freestyle projects to explore the use of pen computers in industry.

But the biggest market share of the pen-based computer market is expected to go to the hand-held palm-tops. The most eagerly awaited of these is the Newton, Apple's "personal digital assistant" which is due to be launched later this year. Newton, measuring 7in by 4in, will feature a flip-up lid and a thin electronic pen which clips onto the side of the casing.

Once again, however, the development of the pen computer market, like the desktop PC market before it, could be constrained by competing software operating systems. In addition to Apple's Newton, there are already three competing operating systems, Microsoft's Windows for pen computing, which claims the support of more than 120 software vendors, Penpoint from GO, a Silicon Valley company and Geoworks. IBM is also understood to be working on a version of its OS/2 operating system for pen environments.

Microsoft, in particular, is betting heavily on the success of pen computing. Mr Bill Gates, its chairman and co-founder, has said he expects pen computing to take off very rapidly. Hesees pen-based computer systems as "the next generation of portable computers."

The company believes that the relative ease of using a pen-shaped electronic stylus instead of a keyboard will provide computer power to users like as lorry drivers, meter readers, the police and others who, because of their jobs, cannot use a conventional portable computer with a keyboard.

However before pen computers become widely adopted, the character recognition software which they use for turning pen writing into computer text will have to become more sophisticated. At present most systems can just about cope with neatly-written capitals, but are lost when it comes to reading standard cursive writing. What is more, most typists, even the two-fingered variety, can write more quickly with a keyboard.

For these reasons, some critics suggest that the advantages of pen computing are being overstated. One possible intermediate solution to this problem is to build machines which feature both keyboards and electronic pens.

One such machine is the recently launched GRiD Convertible which looks and works like any other clamshell-type notebook computer. However, by using cunning hinges which drop the screen flat on its face, the Convertible can be closed with the screen on the outside. It can then be used like a conventional clipboard pen system.

Meanwhile Sharp, the Japanese electronics group, will launch the latest in its IQ electronic organisers next month which for the first time uses pen technology. The IQ-9000 has a small keyboard and an electronic pen which can be used to activate the usual functions of an organiser on its touch sensitive screen.

However, as in the PC market, any surge in pen-based computer sales will probably not happen until the development of application software will enable the machines to do really useful work – and no-one really knows what form that will take or when it will happen.

**Paul Taylor**

SCREEN TECHNOLOGY

# Display: the next steps

IT IS axiomatic that, without the thin flat liquid crystal display, the notebook computer that dominates the portable market today could never have been built. Display technology will also play a pivotal role in determining the shape, size and function of the next generation of portable computers.

Liquid crystals are odd substances, sharing properties of both liquids and solids. After their discovery in 1888, they remained a laboratory curiosity until 1963 when RCA, the US broadcasting company, found that by applying an electrical charge, the liquid crystal molecules could be made to realign so that they could either pass, or block, polarised light.

Ten years later Sharp, the Japanese consumer electronics group, sold the first calculators with LCD screens. But when the first transportable computers emerged in the early 1980s, they packed tiny cathode-ray tube displays. These were heavy and power-hungry and were quickly replaced by the LCD panel which has since become the standard for portable computing.

Nevertheless, over the past decade there has been growing pressure from portable computer users for clearer, brighter screens and in particular recently for high-resolution and colour screens able to do justice to sophisticated software packages like those running under Microsoft's "Windows."

In simple "passive" LCD devices, known as twisted nematic (TN), liquid crystal molecules are held in a double sandwich of polarising filters and glass plates. Individual cells can then be made to lighten or darken by applying a charge.

This is fine for a small display; unfortunately, however, as the size of the display increases, the contrast between dark and light areas declines. To compensate for this, manufacturers have sought to increase the twisting effect and thereby heighten contrast.

They have developed "super twisted" nematic displays (STN) which produce the blue screens familiar to portable and laptop computer users, and "double super twisted" nematic (DSTN) displays in which two STN cells are used. Finally, there are "triple super twisted" nematic (TSTN) displays which use a refracting polymer film applied to the STN cell, allowing thinner displays with higher contrast.

Today's new slimline notebook machines, like the 3.6lb Dell 320SLi, boast these significantly improved LCD screens which also consume less power than their predecessors, enabling manufacturers to cut battery weight.

Dell's 320SLi features a 9.5 inch LCD that uses 75 per cent less power than the conventional edgelit LCD but is still able to offer a high contrast ratio of 12:1 and 640x480 (VGA) resolution.

However, despite these improvements, "passive" LCD technology still has some shortcomings. In particular, the contrast is still insufficient

> There has been growing pressure for clearer, brighter screens

to reproduce the entire range of colours available on a CRT, and LCDs have relatively slow response times which mean that moving images in particular tend to blur and leave shadows.

These problems are overcome by using another form of LCD screen. Most notebook manufacturers now sell premium-priced top-end machines with high definition full-colour LCD screens using "active matrix!" thin film transistor (TFT) technology in which contrast and response time are boosted by adding a transistor "switch" to each display cell or pixel.

However a TFT display is an extremely complex device consisting of 10 to 15 layers of materials, finely etched circuitry, and around 1m transistors that can be shorted out by a microscopic speck of dust.

Predictably, manufacturing defects are high and, despite manufacturing improvements, up to 20 per cent of the displays have to be scrapped. But, as yields improve, prices are beginning to fall.

Aside from passive and active matrix LCDs, there are two other relatively common screen technologies in current use: gas plasma and electroluminescence.

Unlike LCDs, which need back or sidelighting, gas plasma displays generate their own light. A particular advantage of the technology is that response times are fast. The price of gas plasma portables is lower than that of active matrix systems, and colour plasma displays are technically possible.

Electroluminescence (EL) screens are also fast, can support very high resolutions and are cheaper than TFT displays, but they tend to be power-hungry.

Manufacturers have therefore been investigating other newscreen technologies including ferro-electric LCDs and metal-insulator-metal (MIM) screens, both of which have yet to make their way into full commercial production.

In MIM displays, a layer of insulator is sandwiched betweentwo layers of metal.

> Unlike LCDs, gas plasma displays generate their own light

They provide high contrast and may eventually be cheaper than TFT machines. However, mass production techniques for MIM displays have yet to be devised.

Some industry analysts and manufacturers believe that in the longer term ferro-electric LCDs, pioneered by Thorn EMI in the UK and Cannon in Japan, offer the most promise because potentially they have significant advantages over TFT displays.

FLCDs use a different type of liquid crystal which reacts more quickly and, most importantly, is bi-stable. This means that if a pixel is switched on so that light cannot pass, it stays like that; if it is switched off so that light can pass, it stays like that too.

Because only those parts of the screen that have changed need to be updated, battery life can be increased by 20 times or more.

FLCDs are also lighter, brighter, easier to view and cheaper than TFT screens, but have been more difficult to develop as a practical screen because of their sensitivity to shocks although this problem now appears to have been overcome.

Mass production of FLCDs is probably at least three years away, but they should be significantly cheaper than TFT systems because no transistors are required. Their fast response times and high contrast should also make them ideal for pen-based computer systems.

In the meantime Mr David Brooke, Dell Computer's European product marketing manager for portables, believes that most of the exciting developments over the next year will involve conventional (LCD) screen technology. In particular, he argues that advances in LCD technology will enable manufacturers to build smaller and lighter machines with higher resolution displays – closing the quality gap with desktops.

He also expects more notebook computer manufacturers to offer interchangeable modular screens – ranging from low cost mono twisted nematic LCD screens all the way to high definition colour TFT displays.

Adopting a modular screen design will help manufacturers reduce the need to maintain high stock levels while customers will benefit from greater choice and flexibility.

**Paul Taylor**

Peripherals are being updated in line with personal computers

# Quality reaches all parts

MOST OF the personal computer industry's attention in recent years appears to have focused on making PCs smaller, faster, cheaper and more powerful.

Equally aggressive efforts, however, have gone into doing the same for the devices which users attach to their PCs – including printers, back-up systems, scanners, network systems, external displays, modems, high-capacity external storage systems and just about anything else you can imagine. The most noticeable difference for most users has been in the quality and variety of printers available for their PCs.

While impact technology – such as dot matrix and daisy-wheel – characterised printer designs in the first half of the 1980s, higher-quality, non-impact systems using laser and inkjet print engines now dominate the market. These have been married with sophisticated "page description languages" such as Adobe PostScript and Hewlett-Packard's PCL5 to provide unprecedented printing flexibility and quality.

This has given a large number of users the chance to produce almost-typeset quality from their printers – as well as graphs, charts and diagrams that would previously have to be produced by a commercial artist (or not at all).

Two other printer innovations which have had great impact in recent years are the proliferation of colour printers and, more recently, portable printers. The former have made personal computers credible pre-production tools for professional colour publishing work, while portable printers have made life a little easier for the growing army of those who carry their computers around.

While printers have been improving the images that come out of a PC, scanners have increased the range and quality of information that go into them. Scanners allow users to "photocopy" images onto the computer's hard disk – so that they may be stored, edited and printed at any time. They are vital to anyone involved in PC publishing work and, when combined with optical character recognition software, allow users to have large amounts of text on paper turned into editable word-processor files on the computer's screen.

Colour and portability are also the two major areas of innovation in the scanning world. Lower-cost colour scanners are coming into their own at the moment – as are inexpensive ways of obtaining colour pictures in a form that can be used by PCs.

One of the best examples of this is Kodak's new Photo CD process – which allows standard 35mm films to be "developed" onto a personal computer's add-on CD-ROM optical disc. The images from that disc can then be treated as any other scanned images – except they are of a far higher quality than most users would be able to get from an affordable hand scanner.

That situation is not likely to exist for long, however, as the quality of hand scanners is improving fast and the price is dropping just as quickly. A number of good colour hand scanners – such as Logitech's ScanMan 256 – offer the ability to scan images into a PC with support for up to 256 colours.

The great limitation to such devices, however, is that they can scan only a certain portion of a standard A4 page at once. This means that you must often do several scans and "stitch" them together to get a complete page into your computer.


Instant record: the HP DeskJet portable printer on the front seat of a car

Scanners and printers largely concern themselves with the business of getting images or text in and out of your computer. A new range of computer add-ons stretches the horizon of what you can get a PC to do for you.

These add-ons are called "multimedia" peripherals – and generally include sound cards, a CD-ROM, a microphone and external speakers. If used in an operating environment that supports them properly, these extras enable you to incorporate speech in on-screen presentations, use educational applications that can play music and animated sequences on the computer – and even standard audio CD music.

The real key to the success of multimedia, however, lies in the CD-ROM. This variation on standard CD audio technology allows specially-encoded compact discs to hold up to 600 Megabytes of data each – giving them six to eight times the capacity of the average personal computer hard disk. That is why increasing numbers of encyclopedia products are being offered on CD-ROM.

CD-ROM versions of encyclopedias can incorporate the voices of famous people, digitised images of places, animated sequences explaining how different technologies work – and lots of text that can easily be searched by the computer and then printed out as needed. And, of course, they do not weigh as much or require the death of many trees in their production process.

Finally, there is the rebirth of the parallel port. For years, the parallel (sometimes called Centronics) connector on the personal computer was used only for hooking up printers – sending information from the computer to the printer.

Recently, however, the parallel port has become the conduit for two-way data traffic – and many developers have designed converters that turn parallel printers into SCSI (Small Computer Systems Interface) connectors. SCSI is a popular connection standard, supported by most manufacturers, allowing users to hook up external hard disks, CD-ROMs, tape back-up systems and other devices.

By using the parallel port as a SCSI connector, even the most humble portable computer users will now have another way to hook up some very powerful add-ons to their machines.

**Geof Wheelwright**

ENTERPRISE-WIDE NETWORKS

# The global area links may take a little while

THE ERA of stand-alone personal computers is over, but that of enterprise-wide networks has not yet begun. How quickly the transition can be achieved depends partly on developments in the software industry and partly on how willing managements are to change their thinking.

Linking personal computers together to form local area networks has become standard practice in the past few years, driven largely by a user rebellion against slow service from central mainframe and minicomputer departments.

The typical LAN now joins together around 20 users and around a tenth of LANs join as many as 250. By 1995 it is expected that half of all the business PCs in the world will belong to such networks.

LANs were set up first to provide relatively simple applications such as word processing, spreadsheets and electronic mail. As users increasingly look for more quickly developed and more cost-effective corporate systems, LANs are gradually being extended to take on more of the traditional data processing functions, based on larger databases from leading suppliers such as Oracle and ARK Ingres.

The era of stand-alone PCs has come and gone in little over a decade. But to connect PC LANs to corporate systems to form wide area networks and enterprise-wide or "global area" networks, which will allow many thousands of users to communicate, is a vastly more complicated matter.

Many firms have machines on different sites that are connected, but it is one thing to be able to transfer simple files between them and another to get complex applications running across several transport protocols.

Some of the network management problems involved in establishing enterprise-wide systems are still unsolved and look unlikely to be solved for several years. Processes such as the electronic distribution of new versions of programs to thousands of users in remote sites are just only beginning to be widespread. Security features remain weak and viruses continue to pose a threat.

> Security features remain weak and viruses continue to pose a threat

There are also outstanding technical questions about how best to connect portable computers to corporate systems, using fax/modem cards or adaptor devices.

In sum, large companies using systems from a wide range of suppliers may face a 10-20-year migration from the stand-alone environment to the enterprise-wide system. Mr Bruce Murrill, technical director of the Network Management Forum, cautioned last year that the goal of managing enterprise-wide networks was "still some way off".

So far, neither of the two leading PC operating system software companies, Novell and Microsoft, has proved that it can fulfil all the necessary functions for the task of controlling very large networks.

Microsoft has achieved a dominant position in single-user operating systems with its DOS and Windows products. Novell has become the principal LAN software supplier, with around 70 per cent of that market.

In the next few months, Novell will seek to consolidate its position with a new version of its Netware product, while Microsoft will challenge it with a new network operating system called Windows NT (New Technology). Many users are delaying investment decisions until more is known about the capabilities of these new products.

Last year, Novell launched a major move to broaden its operations by an agreement to take over Unix System Labs from AT&T. Ownership of USL will give Novell control of the development of the Unix operating system.

Unix is the engine of most of the new range of smaller machines which have been steadily taking over from mainframes and minicomputers in the past few years.

This acquisition will therefore give Novell a central role in the evolution of corporate systems and potentially the ability to integrate those corporate systems with LANs.

Novell's plans for Unix remain a matter of speculation until the takeover process is completed. However, there is a view in the industry that it will seek to consolidate Unix as the vehicle for the next generation of systems built on a client/server structure and to push it down onto personal computers as a shrink-wrapped commodity product.

> The main barriers to building effective networks are psychological

Mr Ben Smith, Novell's UK managing director, argues that users will benefit by having Unix in the hands of a hardware- independent company. He says that Novell intends to "purify" Unix by reducing the number of variants in use.

However, Novell may now come into confrontation with Microsoft, which could bring a new and potentially damaging conflict within the industry. Microsoft's UK marketing manager for corporate network systems Ms Jack Fogg says that there will inevitably be more direct competition between the two companies because of their similar business strategies.

The opening shots in the battle have already been fired. Novell and the Unix camp claim that very little is yet known about Windows NT and that users have no reason to wait for it. Meanwhile, Microsoft has begun to argue that Unix has design weaknesses and is seeking to show that many software developers are switching their support from Unix to Windows NT.

Some industry experts consider that the main barriers to building effective enterprise-wide networks are psychological rather than technological. They say that most corporate networks are still badly managed, inefficient and unreliable.

Mr Chris Yates, managing partner of telecommunications consultancy Newburn Consulting and formerly of National Power, is a proponent of this view. In his opinion "95 per cent of networking problems are managerial and only 5 per cent technical. Most business leaders are still not aware of how dependent their business is on communications. They ought by now to be as aware of information technology issues as they are of finance or production."

Ms Laura Lilyquist, European marketing manager for Sun Connect, Sun Microsystems' networking business, also thinks the problem of building global area networks is one of management education. "Each vendor only owns one piece of the problem," she argues.

"Users may need software products from a dozen different sources to be able to get machines to interact properly at the application level. But many of them are still attuned to one-stop shopping for their computing and do not take advantage of the range of choice of products available."

**George Black**

## DESKTOP PUBLISHING

# This is the year for colour systems

THE MOMENTUM of desktop publishing (DTP) is being strongly maintained as prices fall for high-performance personal computers, laser printers and enhanced page-composition software.

Furthermore, new methods of colour creation for documents of all types are exciting users right across the DTP spectrum.

As businesses large and small discover the almost endless range applications for DTP – from brochures, sales catalogues and financial reports to colour magazines, books and newspapers – there is a rising demand for better-looking publications.

Countless publications in typewritten form are also becoming candidates for DTP – "for business, DTP has meant lower costs, more control and later deadlines on a wide variety of printed materials," says Emilia Knight, *Apple's publishing marketing manager.*

Worldwide revenues for DTP software tools are likely to reach \$369m this year, rising by \$100m in 1994 and reaching \$663m by 1996, according to forecasts by the International Data Corporation.

Much of the thrust of the DTP market has come from the US. Although Apple Corporation, with its Macintosh computers, along with the Adobe Postscript page description language, were founder companies of the industry, an increasing number of other hardware and software companies are developing their own market strategies for DTP.

Today, there are two main DTP markets. One, at the lower-end – what is termed the personal or "office DTP" sector, including in-house publishing to promote its services or products. Then there is the high-end, professional DTP market, described by Apple as "DTP for profit." This includes graphic art services, newspaper, book and magazine production.

On the hardware front, the increasing power of PCs and portable computers is good news for desktop publishers, especially with the move towards colour systems which demand. At a starting point, the cost of a basic Apple DTP system is under £2,500 with, say, an Apple Mac LCII computer, with 14 ins. colour monitor, (£1,099); Aldus Pagemaker software (£500); and a personal LaserWriter for around £775. Five years ago, the cost of a basic system might have been nearer £8,000.

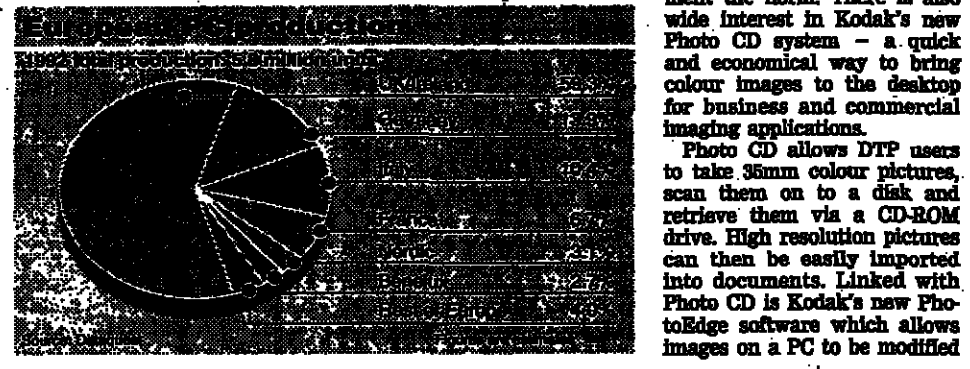
Apple's new mid-range Mac II and Centris computers (prices range from £1,675 to £2,595) have systems built-in to support up to 256 colours in the new 14 ins colour display – and can be easily upgraded to deliver 32,000 colours. Last month, Apple introduced its Colour Printer (£1,995) for Mac-users wanting to use colour in everyday documents. It takes advantage of ColorSync software's colour matching capabilities, ensuring that DTP *users achieve colour output* that closely matches colours created on the computer's display.

DTP technology has brought creators (writers, designers, editors, illustrators and photographers) much closer to the production process, and in many cases eliminated the need for a separate production step altogether, says Jonathan Seybold, the DTP industry's guru.

The collision, eight years ago, between the computing and publishing began a "revolution that turned the publishing industry upside down...and spawned desktop publishing," according to Jonathon Seybold. The publishing revolution is far from over, which means that training for new DTP entrants continues to be an important issue, especially with the need for skills to operate for colour images systems and other of new technologies.

While today's software with colourful icons and graphical user interfaces (GUIs) help to reduce the DTP learning curve, training and consultancy services are in demand from business users. Rank Xerox, with its philosophy of "total quality document," offers a range of workshops for programs such as PageMaker, Ventura and CorelDraw.

The reason that colour is the hot topic of the DTP world is that, until now, the missing



ingredient has been colour management systems.

While different devices, such as scanners, monitors and printers deliver colour variations, software products – such as ColorSync from Apple – now provide excellent matching facilities.

In the colour management arena, companies such as Kodak, Agfa, EFI (Electronics For Imaging), Quark, Apple, Microsoft, Adobe and other suppliers are planning strategies to make colour management the norm. There is also wide interest in Kodak's new Photo CD system – a quick and economical way to bring colour images to the desktop for business and commercial imaging applications.

Photo CD allows DTP users to take 35mm colour pictures, scan them on to a disk and retrieve them via a CD-ROM drive. High resolution pictures can then be easily imported into documents. Linked with Photo CD is Kodak's new PhotoEdge software which allows images on a PC to be modified in colour, tone and shape.

Next to colour, the hottest area in computer publishing are the emerging digital technologies able to deliver documents in a new form. For example, users may wish to view only selected portions of documents, all stored electronically.

In the fast-changing DTP world, specialist software, such as PageMaker and Quark XPress have evolved beyond all recognition. For professional page-layout systems in the UK, 53 per cent use Quark XPress and 23 per cent use PageMaker, according to Ashdown, the strategic marketing consultancy. Aldus has recently announced PageMaker 5.0 for Windows and Macintosh, offering 100 new features and enhancements for professional DTP users.

In the Windows environment, Microsoft, in particular, is making ease-of-use a strong feature. It has seen wide success among DTP entrants with the "Microsoft Publisher" package.

Windows applications overtook sales of DOS applications in the UK in November for the first time, according to Romtec, which forecasts a 25 per cent share lead for Windows this year.

*As technologies* merge, there is growing interest in multimedia – the computer-based medium which brings together text, high-resolution graphics. The conversion of traditional media into a common digital format gives multimedia its wide appeal. Apple, the leading supplier in this field, has been providing hardware platforms for multimedia since 1985.

Microsoft, the developer of MS/DOS operating system and the Windows 3 graphical environment, has been involved in developing multimedia technology on PCs since the mid-1980s. The conversion of traditional media into a common digital format is what gives multimedia its wide appeal.

Meanwhile, interest is also being shown in publishing without paper – such as electronic delivery, allowing rapid access to visually sophisticated documents. Adobe's Acrobat software, for example, aims to solve the transmission of these documents between incompatible computers.

**Michael Wiltshire**

## APPLICATIONS SOFTWARE

# A general purpose tool-box

APPLICATIONS software for personal computers is changing. The increased power, mobility and ease-of-use of modern personal computers has stimulated a new wave of software – in the form of a general-purpose tool-box. This *replaces the traditional idea* that an application is a set of programs built to suit a specific user.

At the same time, personal computer software is now required – and increasingly able – to span different technology environments in terms of hardware and operating systems software. This means the same software can be used on different types of personal computer and even on powerful workstations. Personal computers can also communicate with each other – and with larger systems – to make use of shared resources such as laser printers and centralised corporate databases.

*Increasingly, a personal* computer – whether on a desktop or on someone's lap in an aeroplane – is a personal window into a corporate computer network.

This growing role for personal computers has put pressure on software developers to build software which is flexible, adaptable and portable.

"We have to think about the tools we can build which will contribute to what users want – *particularly as they* are becoming more mobile," says Mr Paul Bailey, European and international vice-president of leading software developer Lotus Development.

"Mobile computers speak directly about personal productivity. But it goes beyond that. You can dial up and connect to the network and the rest of the company. And through electronic mail and workgroup systems like Lotus Notes, you can work in new ways," Mr Bailey continues.

It is also possible to build applications in new ways. Lotus Notes applications, for example, grow from electronic mail infrastructure and a set *of tools which can be used* both by the end user and by the systems professional. The end user applies the tools to individual needs and preferences – the professional *developer extends the infrastructure* to provide more services and features.

Application software for personal computers has always differed from that used on larger computers. The low costs of personal computer hardware and the way it is used, meant that traditional ways of building applications could never work.

They require lengthy analysis and design, rigorous testing and expensive support. While this is still necessary for large-scale, corporate computing, it is not cost-effective to build applications for personal computing in this way.

Applications software for *personal computers evolves* organically, rather than being cast in concrete like that used in larger computers. Personal computing must take account of the personal and the best *way to provide this is to devise* good tools which can be used to do many different things.

This concept began with the emergence of graphical user interfaces (GUIs) like the Apple Macintosh and Microsoft Windows. These environments provided a standard framework which could be used to build many different types of application and, more important, new types of tool.

> Personal computers can communicate with each other – and with larger systems – to make use of expensive shared resources such as laser printers and centralised corporate databases

"Many *leading products* – Lotus 1-2-3, Excel 4, Wordperfect – are now available across Apple Macintosh and Microsoft Windows on the DOS PC," says Mr Nigel Turner, *product manager* at Apple UK.

"This means that users can mix-and-match their software and their computer hardware. They can run the same applications and exchange data between the two machines," he adds.

The increased popularity of graphical user interfaces (GUIs) is a principal force in the drive towards standardisation.

Not only have GUIs provided a common standard for user access and a better way to exploit the power of personal computers, they have also *helped standardisation at* increasingly high levels of software. An application program built for the Apple Macintosh can be transported to a Windows environment relatively easily. Although they are different environments, both use a common set of functions to draw screens, control the mouse and access data. These functions can be translated easily from one environment to the other.

"A lot of DOS developers are finding the benefit of Windows – it brings them broader market potential," says Mr Turner.

It also brings advantages to the end user. There is no need to learn a new set of controls for every new program – the instruction to print a document is the same regardless of what type of document it is.

But GUIs are the tip of the iceberg. Behind the flashy graphics is a set of standards for exchanging data between programs, access to standard "drivers" for screens, printers, scanners, and even ways to link data dynamically.

This is a powerful mechanism *for building new style* applications. A spreadsheet table showing monthly sales figures can, for example, be embedded in a word processor document – and updated automatically if there are any changes in the table. An executive information system can extract data from remote databases automatically and display the results as if they had come from the local disk.

The disciplines of developing application software based on GUIs has led to rapid standardisation of many aspects of software. And as personal computers evolve into multimedia communications devices, this process is likely to accelerate. "Quicktime – the systems software which handles multimedia in the Macintosh – will soon be available for Windows PCs too," says Mr Turner.

This means that all types of data – video, audio, text and numbers – will become interchangeable – if not identical in form. A video message recorded on a Macintosh will be playable on a Windows-based personal computer.

*This new form of computer* communications demands different ways to create applications and will stimulate development of new software tools.

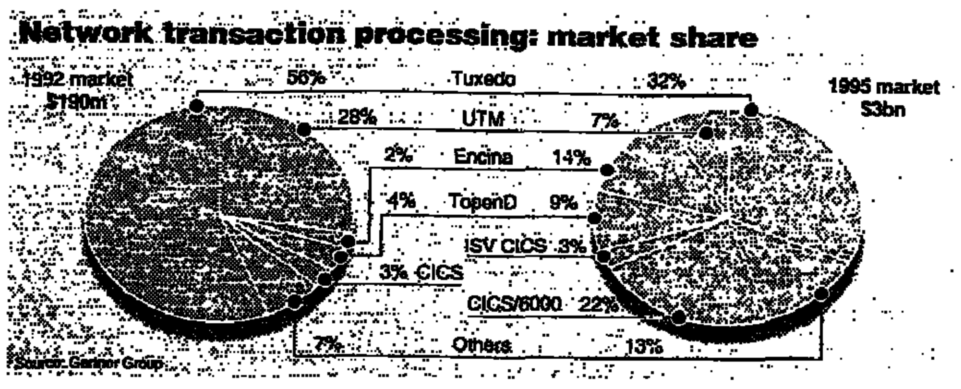
"We increasingly view an application as a series of editors – ways to enter, change and access data," says Mr Bailey of Lotus.

"We need to provide an infrastructure – electronic mail, access to databases – and the tools to let users get at it and use it the way they want to," he adds.

There is no doubt that a great deal of progress has already been made and it is not too hard to imagine a time, when personal computers will combine a broad set of power tools which can be applied to all aspects of information processing.

**Phil Manchester**

## PERSONAL AND PORTABLE COMPUTERS 9




OPERATING SOFTWARE

# Technology shift

THE computer industry is preparing itself for one of its periodic technology shifts. In the past these shifts were solely the result of fundamental advances in hardware – the inventions of both the transistor and the microprocessor are notable examples.

This time, however, the technology shift is the result of a fundamental change in operating system software – the software which controls what goes on "under the covers" and provides the base for applications.

Improvements in user interface software and in telecommunications, and the novel applications they can deliver, demand much more from operating systems software than before. Nowadays they must not only control the internal workings of the computer they dwell in, they must also take care of the complexities of networks and be able to communicate with other systems.

The stability of the personal computer software industry is, therefore, under threat. Microsoft's MS/DOS – with an estimated 150m users worldwide – has dominated the PC industry for a decade and fought off every challenge.

But at the end of 1992 US networking software company Novell declared its intent to take over the development of Unix, one of the two biggest challengers to MS/DOS. Originally developed by AT&T for minicomputers, Unix has been widely adopted as the universal operating system for mid-range computers – although it has, for some time, been touted as a possible candidate to replace MS/DOS. Through the takeover of Unix Systems Laboratories (USL), which was set up in 1991 to co-ordinate development of Unix for the industry as a whole, Novell hopes to become the "custodian" of Unix and mount a serious challenge to Microsoft.

Novell hopes to do this by bringing Unix together with PC networks.

Novell is in a good position to achieve this. It has established itself as the dominant supplier of networking software for personal computer local area networks (LANS) with its Netware package. It claims to have about 70 per cent of this growing market and has itself beaten off a challenge from Microsoft – which also has designs on this important market.

Novell's takeover has other implications – especially in the market for corporate computer networks. USL also controls the development of an important software product called Tuxedo – a package that can combine traditional corporate transaction processing with personal computer networking.

Novell's move has occurred at a time when the limitations of personal computer software are becoming increasingly evident. Their lack, both of system security and the robustness associated with operating software on large computers, has led to close examination of operating system software and what it might be required to do in the next decade.

If Novell combines its successful networking software with the virtues offered by Unix and Tuxedo, it could outflank Microsoft.

It will certainly change the fate of Unix.

"We see Novell skewing development towards the integration of Unix with networks," says Paul McGuckin, a mid-range computing specialist at market researchers Gartner Group.

"It will concentrate on the kernel, low-level operating software – at the expense of the high-level stuff. This could mean that Unix vendors will have to be more self-reliant as far as the high-end development is concerned," Mr McGuckin adds.

The technological intricacies of computer operating systems are generally beyond most computer users. Unfortunately, the choice of an operating system is as important as the choice of the computer hardware it runs on. Operating systems organise the internal workings of a computer and, as a consequence, they dictate what the computer can do and what applications software can be used.

The MS/DOS PC launched by IBM a decade ago brought stability for the first time and allowed the development of a wide range of applications.

The success of the graphical user interface (GUI) on the Apple Macintosh prompted Microsoft to add the Windows GUI and make significant improvements to the original software, but MS/DOS is still outdated and in need of replacement.

Specifically, MS/DOS has failed to make any impact on the world of networked systems – the area where Novell dominates.

The final result of the conflict is far from clear. Microsoft continues to improve MS/DOS and is in the process of developing Windows/NT – an entirely new contender. IBM continues to promote OS/2 with varying degrees of success. And, the many versions of Unix – including AIX from IBM itself – vie with each other for dominance.

Mr Brian McBride, IBM UK's AIX marketing director, sees Novell's takeover of Unix as "healthy" because it brings stability to Unix. "We see it as a different implementation that we can communicate with. None of use can afford to lock each other out in a networked world and we are all being driven to standards-based inter-operability."

Mr McBride is confident about IBM's ability to integrate Unix, PC networks and corporate computing – in addition to maintaining links with other systems.

Where it could come into conflict with Novell, however, is in the area of transaction processing and USL's Tuxedo – an increasingly important part of the link between personal and corporate computing.

"You can link a DOS/PC into Unix systems with Tuxedo. It is an open transaction processing system," explains Ms Gillian Mogg Smith a consultant at USL.

"Linking it with Novell is a separate issue. But we have already done much work with Novell with the UnixWare development," she adds.

Tuxedo dominates the open transaction processing market – but IBM is hot on its heels. IBM's rival to USL's Tuxedo is a Unix-based version of its 25-year-old CICS teleprocessing package. Developed originally for mainframe-based on-line processing, CICS is a well-established and mature piece of software with about 33,000 principal sites across the world.

Last year IBM announced CICS/6000, a version which will run under AIX/Unix and allow personal computers to act as "client" terminals to an enterprise-wide computer system. IBM has licensed CICS to Hewlett Packard, which will build a "reference" version to work on other manufacturers' mid-range Unix systems.

According to the Gartner Group, this sector is set to expand rapidly in the next three years. It says that the total market for mid-range transaction processing was worth only $190m last year. By 1995 it will be worth $3bn worldwide – with Tuxedo and CICS/6000 taking more than 50 per cent of the market between them.

This is rich ground for a battle between IBM and Novell. It also seems likely that Microsoft – while having no obvious plans to get into this area – will certainly be keeping an eye on it.

**Phil Manchester**

CHIP WARS

# The battle to topple Intel

Clean-cut: chip-making under sterile conditions at Plessey

INTEL jumped from third to the top of the world league of semiconductor companies last year according to Dataquest, the market research company. Its 26 per cent ($1bn-plus) growth in revenues cut across the general recessionary trends of the industry.

Interestingly, 1992 saw two other major US manufacturers, Motorola and Texas Instruments, achieve significant growth (22 per cent and 11 per cent respectively) compared to low single-figure growth, or even declines, by the Japanese suppliers.

Across the board, the US suppliers' share of the world market grew by some 3 per cent, whereas the Japanese fell by nearly 4 per cent, giving the two groups roughly equal shares in the marketplace.

The key drivers of this are linked: the growth in demand for high-powered processors such as Intel's 486 device, and the rapid and widespread acceptance of the portable PC as not only a low-powered, note-taking addition to an existing desktop system, but as a computer in its own right.

All the leading portable PC manufacturers now offer high-powered, fully-specified systems, often in a notebook form factor. Their popularity, one of the few sales high spots in a lacklustre year for PC makers, has driven the demand for the high-performance processors offered almost exclusively by US suppliers.

This trend, however, increases the pressure on the dominant processor supplier, Intel. Not only does it face stiff competition for its leading desktop PC devices both in the marketplace and the law courts, but there are also increasingly tough technological challenges as it seeks to service the needs of portable and notebook PC users.

**The US suppliers' share of the world market has grown by 3 per cent**

The competition comes from a growing number of sources. There is even speculation that IBM, which lost nearly as much as Intel grossed, might join the fray. It could be the dark horse of the semiconductor marketplace. IBM is often claimed to be, in practice, the largest semiconductor manufacturer in the world, and has significant rights to produce Intel-compatible processors.

The most important area for competition now comes in two areas which can be loosely defined as the "present" and the "future". In the former, it is the popularity of notebook PCs which is the driving force.

Here the rate at which the electronics consumes the power of the batteries is of vital importance, and while much is being done in software to control the utilisation of the circuitry, displays and disk drives, making devices that consume less power in the first place is the high demand.

Intel is most threatened in this area, for others are joining it in producing devices that operate at 3.3 volts, rather than the standard 5 volts. This one-third reduction in power consumption means a reciprocal increase in battery life – a strong sales point for notebook manufacturers.

Even with 5-volt devices, any saving in consumption is vital. For example, Intel introduced a low-power version of its popular 386 processor, the 386SL, some two years ago, but this has been beset with problems and has not proved too popular with systems companies. One leading supplier, Toshiba, recently went on record that it would utilise Advanced Micro Devices 386SX processors because Intel could not match the power consumption specification.

Intel has now switched its emphasis from the low-power 386 processor to the low-power 486 marketplace, where it has a 3.3 volt 486SX processor available and already being used in notebook systems from Toshiba and Texas Instruments. The company is gambling this device will become the effective "entry-level" specification for such systems.

Packing density is as crucial an element as consumption. Many other suppliers, such as Cyrix and Chips and Technologies, offer notebook PC manufacturers greater advantages by integrating more of the PC architecture "glue" circuitry – the many components that surround the processor and memory devices – on to a single chip together with the processor itself.

In the near term, Intel's success will hinge on its continued extension of the technology. It has, for example, the next generation of its processor family, the Pentium, (often referred to as the 586) due out shortly. Several PC makers have already demonstrated systems running this device and it is likely soon to appear in a high-end portable system as well.

Further in time comes the "future" competition, in particular the new generation of hand-held computer-telephone systems, Personal Digital Assistants (PDAs).

The first company to declare a real interest in this market has been Apple Computer, with its Newton product, based on a Reduced Instruction Set Computer (Risc) chip from ARM, the UK company in which has a minority stake. A more recent contender is Sharp, the Japanese consumer electronics and computer giant. As yet, however, it is fair to say that both are dabbling with the market to assess customer demand.

The potential, however, is huge, particularly if AT&T, the US telecommunication leader, is to be believed. The company's microelectronics division recently launched the Hobbit processor chipset specifically to address this market, predicted to account for 1bn units by the turn of the century.

The objective is to create systems which combine personal pen computer, cellular telephone, fax and a wide range of communication services such as electronic mail into a single, hand-held personal unit.

This is an entirely new marketplace which Intel, and others that make compatible chips, will not automatically dominate.

Indeed, the power required to manage these facilities points, as AT&T has found, to the use of Risc devices optimised for the job.

It is an opportunity which has not escaped the notice of IBM which, together with its alliance partners Apple and Motorola, is already well advanced on the design of a chip specifically for PDAs.

This will be a development of the new PowerPC processors from the partners, the first example of which is now entering production. It will have a significant potential advantage for corporate users, for it is planned to be code-compatible with all other versions of the PowerPC family. This will extend from desktop workstations to large enterprise network servers.

It is unlikely that Intel will ignore this new market opportunity, especially as it could also offer similar levels of enterprise-wide compatibility. It is, however, a market offering different technologies and services, so it will be a new, level playing field on which it has to compete.

**Martin Banks**

DISTRIBUTION

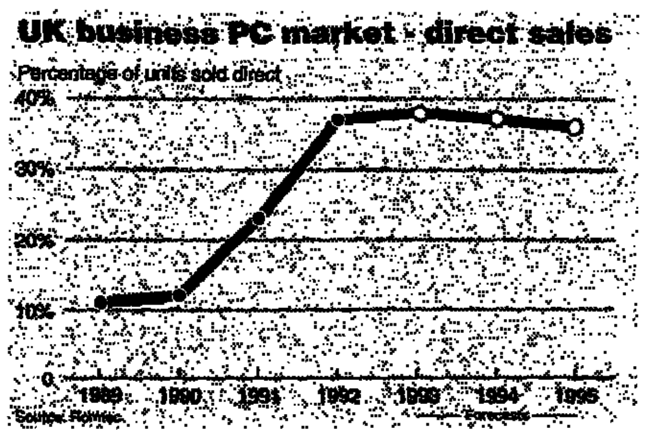
# Pile the small boxes high

WHEN IT comes to distribution, the salient feature of the portable computer sector at the moment is that there *is* no salient feature. The construction of an average portable computer is now virtually as trivial a task as the construction of an average desktop PC; the arrival of the portable computer as a commodity means the departure of its ability to command a greater margin than a desktop computer.

Traditionally the trade's ability to charge higher prices for, and therefore make a greater margin on, portable computers has been dependent on the expense of producing components that are smaller and use less power than those that make up a desktop computer. The standard package that these components have to be placed in has not, however, shrunk significantly in the past 18 months or so, and the portable's place on the cutting edge of technology has started to look shaky.

If the target box weighs around 6lb and takes up the same amount of desk space as an A4 sheet, you don't actually need to make the hard disk smaller than 2.5in, and if you have not yet made the next breakthrough in battery or LCD (Liquid Crystal Display) technology, you cannot charge for it. In effect, you could say that portable computing is between technologies.

The current basic issues in portable computer distribution are therefore similar to those in the desktop market. The direct channel, typified by small start-up companies specialising in off-the-page, low margin selling sets the price for an increasingly experienced user base, while traditional players react by cutting their own costs, perhaps stripping service out of the basic machine price and selling it as an extra, and attempting to segment the market by launching multiple ranges.




It is no accident that the low-cost ranges which Compaq and IBM produce for the commodity market now tend to include portable computers. Essentially, portables are now boxes, and the main difference is that, as they are smaller boxes, you can pile them *higher* before you sell them cheap.

For other reasons, desktops are likely to become more like portables. The US Environmental Protection Agency (EPA) Energy Star programme, for example, is intended to trigger massive reductions in the power requirements of business computers, and the technologies being used to do this are largely borrowed from portable computing.

IBM's Energy Workstation prototype, for example, which was demonstrated in the US last November, is intended to use a low-voltage processor, "credit card" storage and a colour LCD. Portable manufacturers can view flat-panel colour displays as a differentiating factor for their machines, but it is likely that environmental and health considerations will make them standard on the desktop at around the same time as they become standard on portables, and at that point one of the few differences between desktops and portables will be the level of power management employed.

Because the battery life of a portable computer needs to be maximised, it probably makes sense to incorporate clever circuitry that switches off parts not being used. But it is the life of a desktop machine that has to be maximised, so it probably does not make sense to have bits switching off in between key-presses, because the machine will break a lot sooner. It is not, however, clear how much users would be willing to pay for such an apparently small piece of differentiation.

But there are areas associated with portable computing where differentiation is still possible, because although the box itself has become trivial, the way in which it links to the rest of the world is becoming more critical. If it is now financially viable for a company to buy 2,000 portable computers for its salesforce, it becomes absolutely vital that the company work out how that salesforce uses those machines in the company network.

So the perceived value of the machine, and hence the margin, will be greater if it uses some form of "base station" of the sort recently introduced by Apple, where the connections and expansion can be left on the office desk, and the portable plugged in when it needs to be a "desktop".

Because most portables do not use standard expansion slots, manufacturers which have spent money on developing internal fax modems and network adaptors for their machines will again tend to be able to command higher prices.

Theoretically, these advantages should erode, and some companies may give one the impression that they had vanished already, but credit card expansion, which will ultimately lead to new capability for both portable and desktop machines, is not quite as finished as one might suppose.

Although there were numerous credit card-sized fax modems at Comdex, the US computer show, last year, Mr Bill Goodwin, chairman of British developer Communicate, claims his was one of the few that actually worked. Credit card Ethernet and Token Ring adaptors are in a similar state of development, and although Communicate finds that an increasing number of manufacturers rely on the imminent arrival of credit cards, rather than pay to have their own internal modems developed, credit card expansion slots are still not so common, and when they are fitted are not necessarily of the type needed.

To be used for anything other than memory expansion, the slot has to be PCMCIA (Personal Computer Memory Card International Association) type 2 or greater, while for larger peripherals such as credit card hard disks, the double thickness PCMCIA type 3 is needed. No machines on the market use this, but then there are no credit card hard disks on the market, either.

But although it is still possible for the channel to make money out of portables by selling high value expansion, and the next generation of "standard" portable expansion will also initially be able to command higher prices, this new equipment is being designed specifically to sell as a commodity, and should only be able to raise margins for a short period. By switching to smaller format designs, dropping the weight of a notebook computer by a few pounds as companies like Dell have recently done, and by pushing into colour screens, manufacturers will have the ability to restart the technological spiral.

**John Lettice**

PERSONAL DIGITAL ASSISTANTS

# IBM poised to compete

THE POINT about the computer of the future is that it is a phone. For the past 10 years the computer industry has been trying to sell computers to people who do not buy them. The sticking point has always been that people buy applications, not computers. There is no single application that the buyer who does not need a spreadsheet, database, word processor or games-playing machine views as a "must". So enter the Personal Digital Assistant (PDA), the phone, the entirely different model.

Apple fired the first shot in the PDA wars about a year ago, announcing its Newton device would be on the way, but it looks as if the industrial muscle of IBM and AT&T will make the running.

Starting from the premise that the basic components of a computer – CPU, memory, screen and credit card expansion – can be boiled down into a cellphone-sized package, those companies can then work out sets of applications for them.

Mr Paul Mugge, head of Entry Systems Technology, IBM's R&D division, at Boca Raton, Florida, thinks of these as "personality" modules. A credit card-sized wireless modem, for example, could be slotted in and used by a student to download information from the college library. Games modules could be fitted to turn it into a games machine, or it could be a portable TV or personal entertainment system.

All of these could theoretically use a wireless modem – if it's a TV, for example, one might just download films from the local video library.

Mr Mugge goes as far as to paint a picture of a "virtual mall" where an entire computer-generated model of a shopping mall could be used by any number of people with any number of PDAs.

His problem, however, is that he has to make at least some of these goals achievable by the end of the year, launching and selling what will probably be small quantities of PDAs into a definable market.

AT&T sees the PDA market as eventually being in the billions, "basically the number of telephone handsets in the world if we're being modest, and the number of people in the world if we're not", and Mr Mugge himself accepts that for his dreams to come true, units have to sell at consumer prices, say $99 or £99, depending on which side of the Atlantic you're on.

IBM spokesmen, however, speak of a substantially higher initial price, the £500-£1,000 being basically dictated by prices in the cellphone market, which is probably the PDA's first achievable target.

The first IBM demonstration units indicate the type of machine that the company intends to test this summer. They are slightly larger and heavier than the current generation cellphones, but are of similar shape. Rather than a keypad or keyboard, they have a touch-screen and pen combination which allows different key or number layouts to be used, and also gives the computer-phone some note-taking capabilities.

Instead of the new generation operating systems, such as Go's PenPoint, Microsoft's Pen Windows or IBM's own pen extensions to OS/2, they use a custom version of the PC-DOS operating system that has been running on desktop PCs for 10 years.

Mr Lee Reiswig, IBM software president, sees DOS – which was developed to run on low-power computers – as the operating system to be used on machines with limited power, and IBM's PDA is one of the first examples in that kind of setting. Although its basic system is DOS, the machine uses what is described as a "custom shell" sitting on top, and users need never see the systems that lie underneath.

In this way, IBM should have a chance of establishing itself in the cellphone market, by offering basic phone services plus smart messaging, computer communications, notepad and personal organiser functions. As the cellular market itself grows out of its niche, PDA suppliers should be able to grow with, or even ahead of, it.

Although IBM has historically been known for producing high-value machines, the company now looks well-geared to exploit the market for low-cost, hand-held devices.

Along with Intel, IBM runs the Robert Noyce Center research project in Boca Raton. Its primary goal is to produce a super-integrated PC-on-a-chip based on Intel's x86 processor. This will provide brains for the PDAs, which will be compatible with current industry standards.

IBM is also one of the few substantial memory manufacturers outside south-east Asia, and is investing heavily in the next generation, while it is also one of the few western companies involved in developing flat panel colour displays.

Heavy research in multimedia, together with its alliance with Apple, may not have an effect on the first generation of IBM PDAs, but as the devices move from high-price specialist business tools to low-cost consumer toys, knowledge of how to handle sound and video will also become important.

**John Lettice**



## Geof Wheelwright looks at networks' hidden benefits

# Tougher times for pirates

PERSONAL COMPUTER networks look set to change forever the way that software is sold and used. While networks offer computer users many big advantages, there are also some hidden benefits for computer and software manufacturers about which you will probably not hear so much.

To start with, PC networks give computer companies control over what is being done with PC software throughout an office or department – and in particular they restrict software piracy.

For years, it was common practice in many companies to buy a single copy of a popular PC package such as WordPerfect or Lotus 1-2-3 and let a number of users share it.

For as long, the software industry has been telling users that this was illegal. It has tried to educate the business community about software licensing and piracy issues. Now, the advent of widespread PC networking gives it a chance to exert effective control over software use.

The breakthrough has been achieved by the introduction of "network-aware" versions of stand-alone PC software products. For example, a network-configured version of a spreadsheet can identify the serial numbers of all other versions of that software being used at the same time. If it finds any other machine using a spreadsheet with the same serial number, it will refuse to load.

Piracy prevention is not the major reason for producing network-aware versions of software, but it is a useful by-product of the process. It is also forcing software companies to look at how personal computer software is sold. Traditionally, software companies would tell purchasers that they were buying a single "site-licence". That licence would entitle the user to operate the software on only one computer at any one time. It would be all right to have one copy on your desktop computer and another on your portable system – provided both were never in use at the same time.

But with the average "serious" software application costing $300 to $700, many companies found that buying enough software for everyone who might want to use it was too expensive. In small companies many individuals deliberately or inadvertently made single copies of software on more PCs than they should.

The industry is aware that piracy is still widespread and that software companies are missing out on sales. To combat the problem, companies such as Microsoft are considering "site licensing". The theory is this: companies which buy a copy of every product for every employee rarely have more than 60 per cent of that software in use at any one time. So they are paying for more software than they need. Also, some may shy away from implementing a given software solution altogether due to the cost.

According to Mr Mike Maples, Microsoft executive vice-president for products, "site licences" allow all users in a company to install the Microsoft's Word for Windows word-processor on their PCs – but the company would pay only 60 per cent of the cost of buying individual licences.

**The industry is aware that piracy is still widespread and that software companies are missing out on sales. To combat the problem, companies such as Microsoft are considering "site licensing"**

He says software companies would actually sell more product to corporate customers and that piracy would decline dramatically if this were to become widespread The software companies could also make money on sales of additional documentation for extra users and on the supply of training programmes – which have long been a source of strong profit for those that conduct them .

These "soft" solutions to the piracy problem are an improvement on heavy-handed efforts such as the use of "key" disks or hardware "dongles". The key disk anti-piracy system required users to have a specially-encoded floppy disk in the disk drive of their PCs when they wanted to use the software. This arrangement was fine until you accidentally damaged or lost the key disk – then you would be unable to use your software.

There have been similar problems with "dongles" – which are anti-piracy software devices on a chip. They operate by plugging into a PC's printer port and send signals to the PC that the dongle is in place and the copy of the software is legitimate. Dongles have, however, been known to interfere with printing and are also easy to lose. Software reviewers despise them and users have no great enthusiasm for them, either. But with improved network-based control of software registration and an increased use of site-licensing, neither dongles nor software protection look as if they have a future.

Finally, it appears that even the US government wants to help end piracy. Outgoing President George Bush signed an anti-piracy bill late last year that imposed tougher fines and jail sentences on big-time software pirates. Software pirating is now a felony – punishable by up to five years in prison and $250,000 in fines – rather than a misdemeanour. And US professional software associations hope that the new legislation will help curb the estimated $1.2bn lost in revenues each year to software piracy.

Although the software industry does not expect the Federal Bureau of Investigation to leap to attention every time an individual PC user makes an illegal back-up copy of software, the publicity being given to these changes in piracy law should make big-time pirates think twice. . Combine that with an ongoing legal assault on pirates and you have a powerful movement against the illegal use of software.

Mr Bill Gates, Microsoft chairman and founder, says that he has teams of people reading computer advertisements from small PC manufacturers all over the country – and checking with the Microsoft contract department to ensure that each one which offers the MS-DOS operating system with PCs actually has a legitimate contract to have it supplied. If not, Mr Gates unleashes the legal wolves.

So the message in all this is to be much more careful about the software you put on your PC. The industry is out to get software pirates – and with huge financial resources, and the backing of the Federal Bureau of Investigation – the pirates don't stand much of a chance.